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Solid Wood Products

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Report Highlights:

The U.S. remains the leading supplier of temperate hardwoods to the UK, although trading conditions are difficult. Increased competition from European hardwoods and a trend towards low stocking levels/just in time ordering have characterized trade. U.S. softwood lumber use is concentrated in high value niche markets, such as top quality doors, windows and decking. Following a rapid decline in U.S. shipments of plywood to the UK, prospects for 2003 look a little better with firming prices for Brazilian plywood and rising concern for product quality from the UK trade. The upwards trend in imports of value added products has again benefitted the U.S. through 2002.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

UK woodland area stands at 2.80 million hectares, 11.5 per cent of land area. Forest area is rising gradually, primarily as a result of grant-aided conversion of agricultural land to woodland. UK timber growing stock amounts to 353 million cubic meters (m3), comprising 236 million m3 of coniferous species and 117 million m3 broadleaved species. Growing stock volume is increasing over time as annual increment is currently around twice the volume harvested. Log harvests in the UK have increased three-fold over the last 30 years, rising from 3.69 million m3 in 1970 to 10.71 million m3 in 2001. This rising trend should continue with production forecast to increase to 16.48 million m3 by 2017. The present expansion in production is entirely focused on softwoods. The primary market focus for the UK's expanding log harvests is the sawn lumber sector, with the volume of saw logs doubling over the next 20 years. The UK industry hopes to almost double its market share for domestic sawn lumber from current levels of about 25 per cent to over 40 per cent. As the fencing and pallet markets are already well supplied, the industry is concentrating on increased share in the construction sector, from around 10 per cent now to 30 per cent by 2025.

The pace of investment in the UK panels sector slowed considerably during 2000 and 2001 as the market reached saturation point. Domestic capacity is now sufficient to meet existing UK market demand for MDF, particleboard/chipboard and OSB. During 2002, the most significant new investments in the UK wood processing industry were in timber frame and I joist manufacturing.

UK softwood sawn lumber imports reached 7,470,000 m3 in 2001, down from 7,640,000 m3 in 2000. Although overall softwood consumption rose slightly during 2001 compared to the previous year, this was offset by the increase in domestic softwood lumber production. Temperate hardwood sawn lumber imports should remain static at around 270,000 m3 during 2002. The U.S. is still the leading supplier of temperate hardwoods to the UK, but there are clear signs of increased competition from European hardwoods. Tropical hardwood imports during 2002 are expected to reach around 200,000 m3, a slight recovery from the very low levels of 2001.

Hardwood plywood imports into the UK are forecast to fall from 811,000 m3 in 2001, to around 600,000 m3 in 2002. Softwood plywood imports may fall from 618,000 m3 in 2001 to around 575,000 m3 in 2002. In part, declining plywood imports reflect an inventory correction as the large volumes imported during 2001 came at a time of relatively low consumption in the UK. Imports of American plywood were at very low levels during 2002. Prospects look better during 2003 as elliotti prices were firming at the end of 2002 and as there is now more concern for product quality in the UK.

Total UK construction output is expected to rise by 9 per cent during 2002, boosted by strong private sector house building and retail construction and by an increase in public sector spending. Growth in overall output is forecast to slow slightly to 7 per cent in 2003 as demand from the private sector weakens. Timber's prospects are improving in the construction sector, boosted by increased environmental concern and the UK government's international commitment to reductions in greenhouse gas emissions. Major changes are underway in the type of wood products favored in the construction sector. Structural softwood is losing market share to engineered wood products such as I-beams. This trend reflects the stability of engineered wood products, together with shortages of on-site labor skilled in the use of solid lumber. American suppliers have invested heavily over the last two years to expand markets for I-joists in the UK, but there is growing competitive pressure from domestic manufacturers. A major opportunity to expand markets for American wood products lies in the recent revival of interest in wood products within the architectural profession.

The value of UK furniture production has been declining over recent years, from a peak of around US\$7.58 million in 1999 to US\$ 6.69 million during 2001. Declining production has resulted from a fall in overseas sales and a big rise in imports. These trends have been fueled by the rapid development of manufacturing facilities in Eastern Europe and the Far East. The American Hardwood Export Council's (AHEC) marketing strategy in the UK has been adjusted to reduce emphasis on the furniture sector – which is seen as volatile – in favor of the construction and joinery sectors where there are better prospects for long term growth.

There has been a considerable renewal of interest in forest certification in the UK – this time from the public sector. In the second half of 2002, the UK government published a draft new timber procurement strategy calling for independent certification of wood products supplied to this sector.

Exchange Rates:

Please note that the exchange rates used throughout this report are as follows:

£1 = \$ 1.60

\$1 = 1.03 Euro

Strategic Indicators

CONSTRUCTION MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	193	200	205
--of which, wood frame (thousand units)	19	22	23
--of which, steel, masonry, other materials (thousand units)	174	178	182
--of total starts, residential (thousand units)	193	200	205
----of residential, single family (thousand units)	na	na	na
----of residential, multi-family (thousand units)	na	na	na
--of total starts, commercial (thousand units)	na	na	na
Total Value of Commercial Construction Market (\$US mil)	22,065	23,114	24,100
Total Value of Repair and Remodeling Market (\$US million)	43,743	45,496	47,000
FURNITURE & INTERIORS MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	193	200	205
Total Number of Households)	21,000	21,150	21,300
Furniture Production (\$US million)	6,685	6,500	6,400
Total Furniture Imports (\$US million)	3,377	3,700	4,000
Total Furniture Exports (\$US million)	1,075	1,000	950
Interiors Market Size (\$US million)	na	na	na
MATERIAL HANDLING MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output (\$US million)	na	na	na
New Pallet Production (million units)	na	na	na
FOREST AREA			
Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year

Total Land Area (million hectares)	24	24	24
Total Forest Area (million hectares)	2,790	2,800	2,810
--of which, Commercial ('000 hectares)	2,790	2,800	2,810
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	1,130	1,140	1,150
----of commercial, softwood ('000 hectares)	1,660	1,660	1,660
Forest Type			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	2,370	2,380	2,390
--of which, other commercial (regrowth) ('000 hectares)	420	420	420
Total Volume of Standing Timber (thousand cubic meters)	353	353	353
--of which, Commercial Timber ('000 cum)	320	320	320
Annual Timber Removal ('000 cum) 1/	10,300	10,300	10,300
Annual Timber Growth Rate ('000 cum)	21,200	21,200	21,200
Annual Allowable Cut ('000 cum)	na	na	na
1/ If Removals exceeds growth rate, analyze impact in text.			
WOOD PRODUCTS SUBSIDIES			
Country:	Previous	Current	Following
Year of Report	Calendar Year	Calendar Year	Calendar Year
Total Solid Wood Export Subsidy Outlay (\$US million)	None	None	None
Is there a ban on the export of logs, lumber, or veneer? 1/	No	No	No
Are there export taxes (yes/no)? 2/	No	No	No
Total Wood Production Subsidy (\$US million)	None	None	None
Scope (thousands of hectares)	na	na	na
Are there other wood products export expansion activities? 1/	No	No	No

1. UK Domestic Production

1.1 UK Forests

Structure

According to the Forestry Commission the total area of woodland throughout the United Kingdom now stands at 2.80 million hectares, 11.5 per cent of land area. Forest area is rising gradually, primarily as a result of grant-aided conversion of agricultural land to woodland.

In theory all forests may be regarded as "productive" as there are no forest areas where felling is legally prohibited or entirely ruled out for technical or environmental reasons. In practice, a significant area is either under some form of statutory protection severely restricting timber harvesting, is unmanaged, or is managed chiefly for amenity or recreation. A recent Forestry Commission survey suggests that timber production is a management objective for around 17 per cent of forest land area in Great Britain (i.e. excluding Northern Ireland).

Table 1: Area of woodland and proportion of total area covered by woodland in the UK Thousands of hectares

	UK		England		Scotland		Wales		N. Ireland	
Year	Area	%	Area	%	Area	%	Area	%	Area	%
1905	1140	4.7	681	5.2	351	4.5	88	4.2	20	1.5
1924	1212	5	660	5.1	435	5.6	103	5	<14	<1
1947	1420	5.8	755	5.8	513	6.6	128	6.2	24	1.8
1965	1784	7.3	886	6.8	656	8.4	201	9.7	42	3.1
1980	2175	9	948	7.3	920	11.8	241	11.6	67	4.9
1995	2751	11.3	1097	8.4	1282	16.4	287	13.8	81	6
2000	2793	11.5	1103	8.5	1318	16.9	289	13.9	83	6.1
2001	2790	11.5	1100	8.4	1317	16.9	289	13.9	83	6.1
2002	2800	11.5	1104	8.5	1324	16.9	288	13.9	84	6.2
Total land area	24291	100	13042	100	7813	100	2078	100	1358	100

Forest area in the UK has risen from around 4.7 per cent of land area in 1905 following implementation of a national program to expand domestic wood production after the first world war (Table 1). As a result plantations dominate the UK's productive forest resources. Over half of Britain's forest area has been established since 1945, and 20 per cent has been established in the last 20 years. Until recently, most plantations were established with non-native conifer species, particularly Sitka spruce, which are generally more productive and well adapted to UK soils and climate.

As government policy has switched from an emphasis on wood production to broader issues associated with sustainable forest management, the rate of plantation establishment in the UK has declined. Plantation establishment reached a peak in the mid 1980s, when it reached nearly 30,000 hectares a year, but then declined during the 1990s. The change reflects

the removal of tax concessions for new plantation forestry in 1988, together with the introduction of restrictions on the establishment of non-native conifer plantations for environmental reasons.

New planting in the UK is now supported through direct grant schemes which, for environmental reasons, favor broad-leaved trees. In the financial year ending March 2002, £32.8 million (US\$52.5m) of government funding was provided to private owners under the Woodland Grant Scheme. Woodland Grant financing was applied to 27,500 hectares and 16,900 hectares respectively of broad-leaved and coniferous woodland during the year. The Woodland Grant Scheme supports various activities including new planting, managed natural regeneration, and restocking of existing woodland.

UK and European government policy has also favored the conversion of agricultural land to woodland. In addition to the Woodland Grant Scheme, government support for the creation of new farm woodlands is made available through the Farm Woodland Premium Scheme. From a small base, the area of farm woodlands in the UK has almost doubled over the last 20 years, rising from 273,500 hectares to 514,000 hectares.

Table 2: Area of woodland by ownership and forest type in the UK, as at 31 March 2002
Thousands of hectares

	Conifers	Broadleaves	Total
State owned	765	90	855
Private woodland	892	1053	1945
Total	1658	1143	2800

Table 3: Area of woodland by main tree species in Great Britain
From national woodland inventory 1995-1999 - thousands of hectares

Species	GB Total	England	Scotland	Wales
Scots pine	227	82	140	5
Corsican pine	47	41	2	3
Lodgepole pine	135	7	122	6
Sitka spruce	692	80	528	84
Norway spruce	79	32	35	11
European larch	23	14	9	1
Jap/Hybrid larch	111	33	56	22
Douglas fir	45	24	10	11
Other conifer	30	19	5	6
Mixed conifer	18	9	8	0
Total conifers	1406	340	916	149
Oak	223	159	21	43
Beech	83	64	10	9
Sycamore	67	49	11	7

Ash	129	105	5	19
Birch	160	70	78	13
Poplar	12	11	0	1
Sweet chestnut	12	12	0	1
Elm	5	4	1	0
Other broadleaves	120	84	18	18
Mixed broadleaves	160	91	62	8
Total broadleaves	971	648	206	118
Total - all species	2377	988	1123	266

1.66 million hectares of UK forest area comprises conifers (59 per cent) and 1.14 million hectares hardwoods (41 per cent) (Table 2). Species data is available only for Great Britain (Table 3) and reveals the importance of Sitka spruce amongst conifers, and of oak amongst hardwoods.

The total growing stock of UK forests amounts to 353 million m³ made up of 236 million m³ of coniferous species and 117 million m³ broad-leaved species. Net annual increment (NAI) in timber volume amounts to around 21.2 million cubic meters, of which 79 per cent is accounted for by conifers. On average conifers are growing by 7 per cent a year and broadleaves by 4 per cent a year. Growing stock volume is increasing over time as annual increment is currently around twice the volume harvested.

Ownership

In March 2002, 855,000 hectares of UK woodland (31 per cent) were in state ownership and 1,945,000 hectares (69 per cent) in private ownership (Table 2). 794,000 hectares of state forests were managed by the state Forest Enterprise in Great Britain and 61,000 hectares by the Forest Service of Northern Ireland. Average holding size of Forest Enterprise forests amounts to 1,659 hectares.

Non industrial owners dominate the private sector. There are around 106,000 private forest owners in the UK, and the average holding size in the private sector is only 13 hectares. Only 41,000 hectares of UK forests are owned by private industrial timber interests. Other private businesses, notably pension funds, own around 300,000 hectares.

As there is a larger percentage of post-war plantations in the State sector, state forests have been more productive over the last 30 years (Table 4). However the balance is now changing as more privately owned forests come into production, and as government policy directs that the bulk of new planting should be undertaken by the private sector (Table 5).

Regulation

UK forestry is heavily regulated. With only a few specific exceptions, trees cannot be felled on either public or private land without prior government approval under a management plan or felling licence issued by the Forestry Commission. During 1999, the UK forest authorities published an extensive set of regulatory forestry standards, which are mandatory for most forest operations, designed to ensure forest development in accordance with the Pan-European (formerly "Helsinki") Criteria for sustainability.

United Kingdom Woodland Assurance Standard

The United Kingdom's Woodland Assurance (UKWA) Standard, launched in June 1999, was developed following broad-based consultation of the UK forestry sector with government authorities, environmentalists and the Forest Stewardship Council (FSC). The UKWA Standard is a voluntary forest certification standard designed to be compatible with both the FSC Principles of Good Forest Management and the UK Government's regulatory standard. The UKWA Standard was recognized by the FSC as compatible with their Principles in November 1999.

Between 1999 and 2001, all 855,000 hectares of Forest Enterprise and Northern Ireland Forest Service woodlands underwent certification to the UKWA standard. Certification was carried out by SGS, an FSC accredited certifier, and wood produced from these woodlands is now being marketed under an FSC label. A number of sawmilling and wood-processing companies have achieved or are going through the process of FSC certification for Chain of Custody.

The certification of non-industrial forest owners is proceeding more slowly. The stakeholder organizations represented in the UKWA Standard are now working together to improve the participation of small woodlands in certification by development of a more appropriate version of the Standard, and consideration of simplified certification procedures.

Non-industrial forest owners have also been leading the development of another framework for certification in the UK. The UK Certification Scheme for Sustainable Forest Management, which uses the UKWA Standard and independent certifiers accredited by the United Kingdom Accreditation Service, is aligned with the Pan European Forest Certification Council (PEFC) scheme. However by December 2002, no PEFC certificates had yet been issued in the UK.

The total area of woodland now under certification is approximately 40 per cent of all types of woodland yielding approximately 60 per cent of the annual volume harvested. The Worldwide Fund for Nature (WWF) claim that certification could bring around six million m3 of FSC-labeled timber products into the UK marketplace.

1.2 UK Solid Wood Situation

Industrial log harvest

As plantations established in the second half of the twentieth century have matured, log harvests in the UK have increased nearly three-fold over the last 30 years (Table 4), rising from 3.69 million m3 (overbark standing) in 1970 to 10.71 million m3 in 2001. This rising trend should continue for the next 20 years (Table 5), with production forecast to increase to 16.48 million m3 by 2017. After that, production is forecast to fall again to around today's levels by 2045.

The present expansion in production is entirely focused on softwoods, much of it of relatively small diameter and mostly of low density and non durable in keeping with the relatively rapid rate of growth. However, much effort is being expended by the domestic sector to raise the quality of British-grown softwoods - for example through improved silvicultural, drying and treatment techniques. UK softwoods can now be applied to nearly all construction applications, with the exception of trusses.

Hardwood production, which now accounts for less than 10 per cent of total UK production, has fallen dramatically over the last 30 years, and is forecast to remain fairly static at below 1 million m3 over the next 20 years. The annual hardwood harvest is well below increment – probably less than 50 per cent. However, prospects for significantly increasing hardwood production are very low due to fragmentation of ownership, lack of active management, and increasing environmental

controls. With some notable exceptions, hardwood timber quality is generally poor. The financial yield of broad-leaved crops is low, even by comparison with conifers (see below) and therefore planting is not favored by the commercial sector.

Table 4 : Great Britain and Northern Ireland Wood Production 1970 to 2000
000 m3 overbark standing

	GB Softwood			GB Hardwood	Northern Ireland	UK Total
	Forestry Commission	Private Woodland	Total Softwood			
1970	1490	900	2390	1300	..	3690
1980	2410	980	3390	1300	100	4790
1990	3460	2200	5660	1120	210	6960
1994	4320	3030	7350	950	250	8540
1995	4130	3310	7440	990	250	8690
1996	4290	3220	7510	880	250	8650
1997	4570	3600	8170	910	260	9340
1998	4830	3250	8070	800	290	9160
1999	5440	3210	8660	760	320	9740
2000	5530	3780	9310	740	380	10430
2001	5140	4460	9600	710	400	10710

Table 5: Great Britain Wood Production Forecast 2002 to 2021
Annual average in the five years, 000 m3 overbark standing

	Softwood			Hardwood	Total (GB only)
	Forestry Commission	Private Woodland	Total Softwood		
2002-2006	5130	5750	10870	1000	11870
2007-2011	5980	7080	13060	1000	14060
2012-2016	6240	8200	14450	1000	15450
2017-2021	6850	8630	15480	1000	16480

Log prices and financial returns from forestry

The Forestry Commission collects information on the prices of conifers sold standing to produce a Coniferous Standing Sales Price Index (CSSPI) every 6 months. There is little other information on wood prices before primary processing and no price index is available for broadleaves. This data shows that there has been a very sharp drop in domestic coniferous log prices over the last 7 years. Constant average prices (calculated to allow for the influence of inflation using 1996 as the base year) reached a 10 year high in 1995 at £18.00 (US\$ 28.80) per m³ overbark standing, but then declined progressively to only £7.40 (US\$ 11.84) in 2000. Falling prices reflect rising availability from domestic forests and increased competition from cheap overseas suppliers, notably the Baltic States.

Falling log prices have contributed to a big fall in the financial returns from forestry investment in the UK. Estimates of the overall return from commercial Sitka spruce plantations are produced annually in the Investment Property Databank (IPD) UK Forestry Index, which is calculated from a sample of private sector plantations in mainland Britain. Returns to the forest owner are made up of sales of timber (standing or felled), sales of other goods and services, increases in the value of the woodland (from annual increment or market factors), and the net income from subsidies (e.g. planting grants) less taxes. The owner's costs are made up of employment costs and other purchases. According to the IPD Index, annualized returns fell from a high of plus 9.9 per cent in the period 1993 to 1995, to a low of minus 5.4 per cent in the period 1998 to 2001. Therefore, at current prices, the management of Sitka spruce plantations in the UK is no longer profitable. Other factors which have contributed to low levels of profitability in the sector include rising costs of conformance with environmental and safety standards, rising labor and transport costs, and changes in tax laws.

UK sawmilling sector

The primary market focus for the UK's expanding log harvests is expected to be the sawn lumber sector, with the volume of sawn logs doubling over the next 20 years. The UK industry hopes to double its market share of domestic sawn lumber from current levels of about 25 per cent. As the fencing and pallet markets are already well supplied, the industry is concentrating on increased share in the construction timber category, from around 10 per cent now to 30 per cent by 2025.

While long term wood supply prospects for UK saw-millers are good, short term market conditions have not been favorable. Lumber prices have fallen alongside industrial log prices so that margins have continued to be tight. Competition from imports has been intensifying, a trend which has been compounded by the relative strength of sterling on international financial markets.

During this difficult period there has been considerable investment by the softwood industry in order to improve product value and competitiveness - a sign of confidence in the longer term. UK businesses are actively developing relationships with downstream markets, notably the construction sector, in order to improve levels of service. UK sawmillers are also seeking to exploit their ability to respond almost immediately to orders for closely specified components and dimension stock for timber fabricators. Over recent years, there have been a significant number of permanent sawmill closures among less well placed companies. But these have been compensated by the ability of others to increase throughput.

The Forestry Commission's most recent survey of UK sawmills estimates that in 2001 there were 260 sawmills processing British timber, down from 297 mills in 2000. In 2001, 161 mills produced at least 1,000 m³ sawn lumber compared to 178 mills the previous year. Of those 161 mills, 120 processed softwood only, 11 hardwood only, and 30 both hardwood and softwood. Of the 99 smaller mills, 45 processed softwood only, 12 hardwood only, and 42 both hardwood and softwood. Of the mills covered by the survey, it is estimated that 21 used imported round timber in 2001, totaling 14,200 m³.

(underbark) softwood and 13,400 m3 (ub) hardwood.

Domestic Softwood

Considering the short term market position, the Forestry Commission's sawmill survey for 2001 shows that the volume of softwood logs sawn was 3.89 million m3 underbark, producing 2.15 million m3 of sawn lumber, both figures 2 per cent higher than the level in 2000. UK softwood sawn lumber production is now 12 per cent higher than in 1994. About 50 per cent of all the softwood is sawn in the UK's 13 largest mills producing more than 50,000 cubic meters sawn lumber. The equivalent figure in 1998 was only 40 per cent, an indication of increased concentration in the sector.

The 2001 sawmill survey provided no new data on species consumption or markets for UK softwood sawn lumber. However surveys carried out between 1998 and 2000 suggested little change in species consumption by mills producing over 5000 m3. The species reported were spruce 67 per cent, pine 18 per cent and other conifers 15 per cent. Softwood production broken down by market classification showed that between 34 per cent went to construction (including agricultural buildings); 32 per cent went to fencing; 31 per cent went to packaging and pallets; and 3 per cent went to all other markets.

Market conditions within the UK sawn softwood sector during 2002 have varied widely by product. Demand from the UK construction sector was reasonably buoyant during the first three quarters of 2002. However, prices have been generally very low, pushed down by competitive pressure from overseas suppliers, notably in the Nordic and Baltic countries. The profitability of UK mills has also come under pressure from continuing poor demand for sawmill co-products, due to low levels of consumption of UK panels and the increased use of recycled fibre.

Within the garden products sector, there was the usual seasonal upturn through the spring and summer months. Also, after a very slow year in 2001, due largely to the Foot and Mouth Crisis, UK fencing markets were buoyant in the early part of 2002, probably due to work deferred the previous year.

Domestic Hardwood

In contrast to UK softwood lumber production, UK hardwood lumber production continues to decline. The Forestry Commission's sawmill survey for 2001 shows that the volume of hardwood logs sawn was 167,000 m3 underbark and total hardwood lumber production was 93,000 m3, down 2 per cent and 8 per cent respectively on the low levels recorded the previous year. Further declines in production were recorded in 2002.

Forestry Commission surveys of hardwood sawmills that produce over 5000 m3 carried out between 1998 and 2001 provide an indication of domestic hardwood lumber production by species and consumption by end use sector. The surveys suggest that around 37 per cent of production comprises oak, 24 per cent comprises beech, 14 per cent comprises ash and 10 per cent comprises sycamore. The main markets are sawn mining timber, furniture and construction. The mining and furniture markets (notably lower quality wood for upholstered furniture) are tending to decline while the construction market is on an upwards trend.

Despite falling production, the limited volume of quality hardwood produced in the UK is still valued for its aesthetic and perceived environmental benefits. It finds a ready market in veneer, furniture and prestige building applications. It is supplied from well-established family businesses that, rather than holding speculative stock, generally buy only for known customers.

Suppliers of British hardwoods report that better quality stock continued to sell well during 2002, particularly pale colored

hardwoods. There has been strong demand for good quality oak – although increasing volumes of French oak are now being traded in the UK and in general the market is heavily dominated by imported temperate hardwoods. British ash and birch have been popular for furniture, trim and shop-fitting. The fashion for hardwood flooring in the UK continues to benefit those UK producers able to find a market appropriate to their scale of production and to compete with laminates. However the problem of how to utilize lower quality hardwood in an economically viable way remains a problem for the UK hardwood sector.

Domestic Panel and Engineered Wood Products

The 1990s was a period of inward investment and rapidly expanding processing capacity in the UK panel products sector (Table 6). This growth reflected rising availability of small roundwood and saw mill co-products as the UK's domestic plantations reached maturity. Much of the growth was led by foreign companies, with leading players including Nexfor (formerly CSC Forest Products), Kronospan, Egger, Willamette (Europe) and Sonae/Tafisa. However the pace of growth in the panels sector slowed considerably during 2000 and 2001 as the market reached saturation point. Domestic capacity is now sufficient to meet existing UK market demand for MDF, particleboard/chipboard and OSB. Recent new investment in wood panels has tended to focus on more specialized products. For example, in response to rising demand, Kronospan UK expanded their laminate flooring facilities during 2001.

Table 6: UK production of wood- based panels, 000m3

Product	1997	1998	1999	2000	2001
Total	2640	2727	2974	3275	3260
Particle Board (including OSB)	2175	2287	2442	2570	2498
Fibreboard	460	435	527	700	757
Hardboard	48	45	12	0	0
MDF	412	390	515	700	757
Plywood	5	5	5	5	5

During 2002, market conditions for UK producers of panel products were varied depending on product. UK OSB producers continued to experience very difficult trading conditions as they continued to face strong price competition from overseas producers, notably France and Bulgaria. Weakness of the German market also led to increased diversion of OSB to the UK market. By contrast, market conditions were good for MDF producers who benefitted from a global upturn in demand. By the end of the year, MDF producers were talking of “very strong” order books and demand well in excess of the same period the previous year. Demand for MDF was healthy from both the manufacturing and distribution sectors, boosted by the increasing popularity of laminate flooring. MDF prices have been rising throughout the year.

In common with other sectors of UK industry, panel product manufacturers continue to ensure tight cost controls and to maximize operational efficiency. Increasing volumes of recycled wood fibre are also being utilized by the sector, primarily for particleboard manufacture. UK Government policy on sustainable development is steadily increasing the volume of wood diverted from landfill or burnt as waste and this is contributing to increased availability of recycled wood fibre as a feedstock

for the panel products sector.

During 2002, the most significant new investments in the UK wood processing industry were in the timber frame and I joist manufacturing sectors. Finnforest invested over £3 m (US\$ 4.8m) to establish an I-Joist manufacturing plant capable of producing 16 million meters of product per year. In addition, James Jones and Son started building work during 2002 for a new production line which will boost capacity by 6 million lineal meters per year. These two developments will take existing UK I joist capacity to well over current levels of demand, an indication of the industry's confidence of continuing expansion in this market segment.

2. Trade

2.1 Overview and Outlook

Imported Hardwoods

Hardwood sawn lumber imports into the UK are expected to increase only slightly from 463,000 m³ in 2001 to 470,000 m³ in 2002. Temperate hardwood sawn lumber imports should remain static at around 270,000 m³ in 2002. Tropical hardwood imports during 2002 are expected to recover slightly from the very low levels of 2001, rising from around 192,000 m³ to 200,000 m³.

Trading conditions for American hardwoods in the UK have been very difficult during 2002. Importers have been maintaining low stocks of American hardwood lumber, encouraged by the perception of good availability from U.S. and continental European concentration yards. Even news of tightening green lumber supplies in the United States, and the potential for supply shortages during the winter of 2002/2003, has done little to encourage more buying. Cross trading between importers to fill gaps in inventories as they appear remains an important feature of the trade. The trend towards increased purchases on a just-in-time basis of containers of mixed species and thicknesses has intensified this year. The strong trend for UK importers to buy U.S. hardwoods from concentration yards in continental Europe has also continued.

U.S. hardwood lumber export data for the first 9 months of 2002 indicates that volume and value to the UK were down 14 per cent and 18 per cent respectively compared with the same period the previous year. American white oak remains the major American species in the UK, accounting for around 50 per cent of UK imports of American hardwoods. U.S. exports of white oak to the UK were down 10 per cent by volume and 16 per cent by value during the first 9 months of 2002. The bigger fall in value suggests some movement to lower grades as a cost-saving device.

Of other species, the volume of U.S. exports of red oak lumber to the UK fell very sharply during the first nine months of 2002 (down 77 per cent). Red oak is not traded widely by the UK's traditional importing companies, so the large decline may simply indicate a switch to another species by a single large UK kitchen cabinet manufacturer. The volume of U.S. exports to the UK of a range of other species of hardwood lumber - including cherry, ash, and maple - registered less severe declines during the first 9 months of 2002.

In contrast, U.S. exports to the UK of walnut and tulipwood lumber have continued to rise during 2002. Walnut is still very much in fashion, while tulipwood is being used more widely with stain for joinery applications. The U.S. market also seems to be using a wider range of "lesser known" U.S. hardwoods this year. During the first 9 months of 2002, the volume of U.S. exports of "other hardwood lumber" increased by 77 per cent from around 5000 m³ to 8500 m³.

The increased availability of relatively cheap offers on European hardwoods has been a more important factor inhibiting sales of American hardwood in the UK during 2002. Although there is still a strong fashion for oak in the UK, larger volumes are now coming from France and Germany. Due to overstocking and weak demand in Germany and China for European beech sawn lumber, significant volumes of good quality German beech are also being made available to UK buyers at low prices. Both German and French sawmills have been seeking to expand sales in the UK, some now offering square-edged material which is preferred in the UK market over the usual western European waney-edged lumber.

Although Eastern European countries still do not feature strongly in the UK hardwood import lumber import data, traders report progressive improvements in availability of good quality square-edged hardwoods from these countries. It is difficult

to estimate actual volumes as much Eastern European hardwood is processed in other countries before arriving in the UK. For example, Croatian oak, which unlike American oak is available sap free on all sides, is being processed in Italy prior to export to the UK and Ukrainian oak is being kiln dried in the Netherlands and Belgium before shipment to the UK.

On the other hand, there is no doubt that American hardwoods remain the mainstay of the UK temperate hardwood lumber trade. Although the quality of Eastern European hardwood lumber is often very good, delivery times for this wood are still very long compared to U.S. products. There is also uncertainty over how long Eastern European forests can continue to supply very high grade hardwood lumber at competitive prices. By the end of 2002, reports were already beginning to emerge that prices for the limited volumes of Croatian oak available were being pushed up as demand was in excess of supply.

During the first nine months of 2002, both the volume and value of U.S. exports of hardwood veneer to the UK fell by 50 per cent, primarily due to increased offers from competing German and French producers at low prices. Although volumes are relatively small, an increase in U.S. exports of logs to the UK has slightly offset the decline in lumber and veneer exports during 2002. Between January and September, U.S. export volume of hardwood logs to the UK rose from 4,895 m3 in 2001 to 6,245 m3 in 2002.

Sales of tropical hardwood lumber in the UK have remained reasonably steady this year. Problems of severe overstocking led to a dramatic fall in UK imports of Malaysian dark red meranti during 2001. Imports of this species have now stabilized at a lower level. Availability of meranti lumber has been tight from Malaysia this year and prices have tended to firm, despite low global demand. Rising prices and trade volatility have encouraged a long-term switch by many UK manufacturers to African sapele and there are now fewer companies actively involved in the UK meranti market.

Demand for African hardwoods has been reasonably buoyant during 2002. Sapele is now the dominant tropical redwood in the UK used for a wide range of joinery applications. UK demand for framire from Ivory Coast has also been good, the species having taken over a niche for external joinery timber formerly occupied by the more expensive iroko. Only a limited number of large UK importers still buy African hardwood direct, and few are willing to build up speculative stocks, relying more and more on just-in-time trading. Importers are relying increasingly on purchases from concentration yards in continental Europe. Due to increased controls on Brazilian exploitation, South American mahogany – formerly a dominant species in the UK market - is now hardly traded.

Longer-term prospects for UK imports of tropical primary products are not particularly good due to cut-backs in log production and moves to value added processing in many tropical countries. More and more tropical wood is expected to be supplied to the UK as semi-finished or finished components.

Imported Softwoods

The UK delegation to the European Softwood Conference in October 2002 reported that UK softwood sawn lumber imports reached 7,470,000 m3 in 2001, down from 7,640,000 m3 in 2000. Although overall softwood consumption rose a little during 2001 compared to the previous year, this was offset by the increase in domestic softwood lumber production. An increase in the use of I joists in the UK has also resulted in a corresponding reduction in consumption of traditional carcassing.

The UK delegation forecast that UK imports of sawn softwood lumber would rise slightly during 2002, due mainly to good growth in the construction sector. During the first five months of 2002, UK imports of sawn softwood were 4.2 per cent

higher than the same period the previous year. All four of the UK's largest softwood supplying countries – Sweden, Finland, Latvia, and Russia – benefitted from this trend. Although import growth is likely to have been slower during the second half of the year, all four leading supply countries are expected to have expanded overall annual sales to the UK during 2002.

Prices for imported softwood in the UK were generally falling in the first quarter of 2001, then were stable at a low level during the remainder of 2001, but have been strengthening during 2002. Strengthening prices reflect both good demand in the UK and tightening supplies in all the major supply regions. Over the last two years, producers have reacted to low prices and the general global economic slow down by reducing output. In addition, European producers have been diverting a larger proportion of their exports away from traditional markets like the UK, towards the U.S. and the Far East. By the end of 2002, there were reports that most Nordic, Baltic and Russian shippers were sold out. Furthermore, most UK importers were furnished with comparatively low stocks.

The market for whitewood, used extensively for carcassing in the UK, has been led during 2002 by the Swedes and Latvians. Comment on the whitewood market during 2002 has focused on declining availability of sawlogs in both Sweden and Latvia, and the pressure to raise lumber prices. These trends have encouraged some of the larger UK importers to sign six monthly supply contracts with suppliers to ensure long term availability at constant prices. Three month contracts have been more typical in recent years.

The Swedish sawmilling industry continued to benefit during 2002 from the relative weakness of the Swedish krona on international exchange markets. In addition, a process of consolidation and cost-cutting has been on-going in Sweden, contributing to a more competitive industry. Swedish production is almost exclusively kiln dried, whereas Latvian kilning capacity is more limited and the country still produces significant volumes of relatively cheap unseasoned and ungraded sawn carcassing. Latvian producers have continued to lead the market for undried whitewood, for which the UK still has a large appetite despite various initiatives to convert the British market to seasoned timber. Strong growth in Latvian exports to the UK during the first half of 2002 suggests that Latvian producers have benefitted from their strategy to focus closely on specific UK buyer needs, concentrating particularly on length specifications in joist sizes. However Latvian export growth to the UK may have slowed during the second half of the year as supply problems have become increasingly evident. In December 2002, reports were emerging that Latvian exporters were having serious problems supplying the UK as shipping lines had been favoring more lucrative grain cargos over timber.

Finland has been losing market share to Swedish and Baltic producers over recent years. Finnish sawmills also report that margins have been tightening. Various factors have contributed including shortfalls in log supplies and exchange rate fluctuations. To counter this trend, Finnish producers are focusing more on specialist and further processed wood products and less on rough sawn lumber.

The market for redwoods, used widely in the UK for the production of planed products, windows and door frames and other inside finishing tasks, continues to be dominated by the leading Nordic producers in Finland and Sweden. Although redwood log supplies have not followed the same pattern of supply and demand as those for whitewood, there have been raw material shortages at some Nordic mills during 2002. Some of the more progressive shippers are now aligning their production to customers needs by cutting sizes for the end-use rather than general specifications. Through investment in new sawing and drying technology, Nordic producers are now focusing more on special redwood product ranges.

While Nordic redwood producers still dominate in the UK market, Russian producers - notably in the Archangel region of Northern Russia - continued to make ground during 2002. Over recent years, some of the UK's biggest buyers have

turned to Russian suppliers that are able to offer products at lower prices. Russian producers have also sought to reduce their dependence on transshipments through large continental ports by increasing direct shipments to the UK from northern Russia. Sales of Russian softwood to the UK have increased progressively and are forecast to reach around 580,000 m3 this year. Despite this progress, Nordic producers are still more flexible than Russian producers in the supply of specific grades and dimensions. In addition, more Russian wood is now being diverted towards the expanding domestic market in Russia.

The continued strength of the dollar, good U.S. domestic demand, and widespread availability of European alternatives, has meant that U.S. sawn softwood lumber has been generally uncompetitive in the UK market during 2002. Use of U.S. softwoods in the UK is now concentrated in higher value niche markets, including better quality doors, windows and decking. UK imports of U.S. softwood sawn lumber have been declining over recent years and are forecast to reach around 35,000 m3 this year.

Imported Plywood

Imports of plywood into the UK during 2002 are forecast to fall sharply from the high levels of 2001. Hardwood plywood imports are forecast to fall from 811,000 m3 in 2001, to around 600,000 m3 in 2002. Softwood plywood imports are forecast to fall from 618,000 m3 in 2001 to around 575,000 m3 in 2002.

In part, the decline seems to reflect an inventory correction as the large volumes of plywood imported during 2001 came at a time of relatively low consumption in the UK and led to over-stocking. Falling imports this year also reflect declining log availability in some supplying countries, particularly Indonesia and Malaysia, owing to tighter harvesting controls and a clampdown on illegal logging. There were also problems in the supply of Brazilian hardwood plywood to the UK during 2002 due to poor availability of containers. Lower availability of Far Eastern hardwood plywood may also have led to increased global demand for Brazilian hardwood plywood, reducing availability to the UK market.

After 3 years of extremely weak prices for Indonesian plywood, prices began to firm during 2002. Price rises were driven by the considerable tightening of log supply, the closure of plywood mills and the strengthening Indonesian rupiah. The rise in Far Eastern prices encouraged Brazilian hardwood plywood producers to push up their prices. The price rises have generated more UK trade interest in okoume-faced plywood from China. Despite trade concerns over the quality of this product, UK imports of Chinese okoume-faced plywood are expected to rise during 2003.

The huge increase in production of Brazilian elliotti plywood, which began in the late 1990s based on maturing plantation resources in southern Brazil, has had a huge impact on the UK softwood plywood market. UK imports of this product doubled between 1999 and 2001, rising to 320,000 m3. During 2002, UK imports of elliotti pine plywood are forecast to have remained stable at around 320,000 m3. Prices for elliotti pine plywood were rising during 2002 from the rock bottom levels of the previous year. The price increase seems to have been partly due to reduced volumes going through Brazilian mills as it became more lucrative to run hardwood rather than softwood veneers.

Elliotti pine plywood remains a deeply controversial issue within the UK plywood and OSB sectors, particularly in relation to its use in structural load-bearing applications. APA Engineered Wood Association has continued to wage an education campaign targeted at building control officials and architects concerning the use of non-complying plywood in load-bearing applications. These efforts have been supplemented during 2002 by a £40,000 (US\$ 64,000) “wood. for good” campaign highlighting the importance of complying with BS5268 Part 2 in load bearing applications. Meanwhile ABIMCI, the Brazilian Association for Mechanically Processed Wood, claims that BS5268 Part 2 is a “non tariff barrier” and is pushing

for the Brazilian quality program (PNQM) standards to be recognized as equivalent. However plywood experts suggest these Brazilian claims of equivalence are erroneous.

High log costs in the U.S. and unfavorable exchange rates meant that UK imports of American southern yellow pine plywood were at very low levels during 2002, perhaps falling below 5,000 m³ (compared to 254,000 m³ only 5 years before). Prospects look a little better during 2003 as elliotti prices were still firming at the end of 2002 and as there is now rising concern for product quality in the UK.

During 2002, Finnish birch plywood has come under increased competitive pressure in the UK market from new production plants in Latvia and Russia. Finnish producers have been responding by a shift to value-added production and targeted end uses. Tightening log supplies and rising log prices in the major supplying countries have led to rising prices for birch plywood. Underlying consumption of birch plywood was good in the UK during 2002.

Imported value added products

There is a growing trend for non-EU exporters to the UK to concentrate on value added products, including prefabricated and dimension material, semi-finished and finished components and products. The trend is driven by a number of factors including:

- the economics of the supply chain, which dictates that it is more cost effective to transport value-added products rather than bulky raw materials
- the increasing availability of panel products and utility wood supplies from the UK and continental Europe, undermining markets for solid wood
- the increasing trend towards out-sourcing by UK manufacturers
- moves to reduce exports of unprocessed raw material and increase production and value added at source by producing countries, notably in the tropics.
- comparatively high labor costs in the UK compared with developing countries

Table 7: Value of UK imports of value added wood products during 2000, 2001 and forecasts for 2002 - million euros

a. Profiled wood					b. Builders Carpentry and Joinery			
	2000	2001	2002			2000	2001	2002
Italy	21.4	23.7	25.8		South Africa	36.6	41.2	49.8
Canada	20.1	17.9	21.8		Indonesia	53.3	45.6	48.7
Malaysia	12.7	12.8	20.1		Denmark	42.2	46.2	47.8
Finland	8.4	15.2	20.1		Sweden	32.8	34.1	39.9
Sweden	13.9	14.7	16.5		U.S.A.	23.7	29.7	36.2
Indonesia	16.1	10.4	12.7		Malaysia	27.6	27.9	29.8
U.S.A.	10.9	10.1	10.1		Norway	26.5	28	29.7
China	6.6	8.1	8.9		Brazil	30.5	25.7	24.6
Netherlands	11.7	9.6	7.7		Poland	23.5	23.3	22.2
Others	48	43.1	46.5		Others	149.1	172.3	179.4

Total	169.7	165.6	190.2	Total	445.8	474	508.1
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Forecasts for imports of the main value added wood products into the UK suggest that the upward trend continued for most products during 2002. The United States has benefitted from the trend. UK imports of “builders joinery and carpentry” (Table 7b) and wooden furniture (Table 9) manufactured in the U.S. increased again during 2002. However other countries are seeing stronger growth, notably Asian countries including China, Indonesia and Malaysia, and euro-zone countries like Italy, Denmark and Belgium.

2.2 Competitors market promotion activities

U.S. competitors’ marketing in the UK received a major boost between 2000 and 2002 through the “wood. for good” promotional campaign funded primarily by Nordic and UK interests. The campaign has been focused almost exclusively on softwood lumber and aims to increase significantly the use of structural and decorative wood through media advertising. Funding amounted to £9m (US\$ 14.4m) over the period 2000 to 2002 and was assured by a consortium of eight organizations, led by the Nordic Timber Council.

In 2002, Jaakko Poyry Consultants (JPC) was commissioned to undertake a review of the impact of “wood. for good” on UK wood demand. JPC found that against its objective to boost annual sawn softwood consumption by 1.8 million m³, the campaign fell some way short, with the total rising 200,000 m³ and 400,000 m³ in 2001 and 2002 respectively. The review suggested that wood’s weak point was still the environment, with many consumers still associating wood products with chainsaws and deforestation. However, the review also indicated improved consumer awareness and perceptions of wood. JPC recommended that the campaign should now move to a “fulfilment” phase, including a more educative approach to help specifiers and consumers to actually use wood. JPC also recommended that the support base of the campaign should be broadened.

As a result “wood. for good” is now organizing seminars to highlight how companies can “buy in” to the campaign and wider licensing of the wood. for good logo is being evaluated. “Wood. for good” has been extended beyond its original three year schedule, but funding devoted to the UK is being scaled back. The major Nordic backers intend to spread their promotional efforts to the European continent during 2003.

Meanwhile, the Nordic Timber Council (NTC), a major backer of “wood. for good” has adopted a new marketing strategy emphasizing the promotion of wood as a material rather than principally Nordic timber. This strategy also aims to extend NTC activity to a wider range of European countries and to focus less on the UK. The objective is to increase the consumption of wood in Europe to 0.25 m³ per capita by the year 2010, which means increasing the market for wood by 20 million m³ within only 8 years. As part of the new strategy, NTC intend to widen it’s support base by not only counting sawmills among its members, but also producers of panels and other engineered wood products. NTC is now operating a “Building Europe” Campaign in which they invite European organizations to join NTC to develop modern building systems using wood products. Another campaign, PR Europe, aims to identify interesting wood applications and to distribute media information on these applications – including fact sheets, articles, and photos.

The European hardwood industry has not undertaken pro-active marketing in the UK. However this may change during 2003. The European hardwood sawmilling industry is currently developing a joint marketing strategy under the leadership of the German Verband der Deutschen Sage Und Hobelindustrie (VDS) and French Federation National du Bois (FNB). The move comes in response to continuing weak market conditions for European hardwood lumber, particularly beech,

in domestic and Asian markets. Measures being considered as part of the strategy include development of a set of uniform grading rules for the European hardwood industry in line with rules approved earlier this year by the European Sawmilling Organization (EOS) and consistent with the U.S. National Hardwood Lumber Association (NHLA), improved information exchange between European hardwood trade associations, and the possible formation of a joint marketing organization modeled on the American Hardwood Export Council (AHEC).

In the hardwood sector, the Malaysian Timber Council undertakes the full range of marketing activities. During 2002, MTC has continued to focus on the furniture market, with a view to expanding market share for rubberwood. MTC have also been active in the environmental debate, marketing their national certification program directly to members of the UK's WWF Buyers Group and pursuing mutual recognition of their certification scheme with the Forest Stewardship Council.

Ghana is the only other tropical country with an active marketing presence in the UK through the Ghana Timber Industry Development Division (TIDD) of the nation's Forestry Commission. TIDD's objectives are to develop a stronger export market for added value products; to encourage trade in Ghanaian species other than the traditional and well known; and to promote Ghana's efforts to certify products based on their National Forest Standards. The organization publishes an occasional newsletter for the UK trade. Activity is otherwise low-key.

Canada was formerly well represented in the UK by full time employees of British Columbia's Council of Forest Industries (COFI) and industry representatives of the eastern Maritime Provinces. However both organizations have withdrawn their marketing presence. Canadian industry is now represented in the UK by independent consultants working on technical standards, and by an office of the Canadian Pulp and Paper Association based in Brussels. The Canadian High Commission in London also assists with marketing initiatives. For example, during 2002, the High Commission organized a mission to the UK for Canadian manufacturers of timber housing and building products which involved more than 140 meetings with UK architects, developers, contractors, merchants and housing associations.

It is notable that many major competitors to the U.S. - including continental and Eastern European countries, Canada, Brazil, and Indonesia – still have no effective market development organization based in the UK. Marketing, if carried out at all, is left in the hands of individual firms.

2.3 Environmental certification

In the context of trade and marketing, it is worth emphasizing the continuing steps of many U.S. competitors to exploit the development of forest certification schemes. These schemes are designed to provide customers with independent guarantees that wood derives from sustainable sources. Between 1995 and 1999, there were sure signs of increasing demand for certified forest products in the UK market. The development of demand for certification was led by members of a Buyers Group organized by the WWF. Members of the group made a voluntary commitment to progressively increase purchases of wood independently certified by the Forest Stewardship Council (FSC). The "1995 Plus Group" now has around 100 members in the UK which together account for over 20 per cent of the UK wood trade. The group is dominated by large home improvement retailers, such as B&Q and Sainsbury's Homebase, and their direct suppliers.

Following endorsement of the UKWA Standard by the FSC, there was rapid uptake of FSC chain of custody certification by UK companies in late 2000. During 2001, the size of demand for certified forest products in the UK reached a temporary plateau. This was due to the fact that all the major home improvement retailing companies were already members of the buyers group. Another factor was the rapid emergence of the Pan European Forest Certification Scheme (PEFC)

as a rival to the FSC which created uncertainty and discouraged UK suppliers from making far reaching commitments to the FSC system. Volumes of certified wood traded outside the retailer sector remained very small.

But during 2002, there has been a considerable renewal of interest in forest certification – this time from the public sector. A major driver of public sector interest was the UK government's decision to act as a focal point on illegal logging within the G8 Forestry Action Plan process agreed in 1998 by the seven major industrial countries plus Russia (G8). This has stimulated a range of studies supported by the UK's Department for International Development (DFID) into illegal logging. During spring 2002, UK government action on illegal logging was boosted following Greenpeace campaigns which set out to embarrass the government's record on environmental timber procurement. These campaigns criticized the specification of African sapele from Cameroon in projects to refurbish the government cabinet offices and in Buckingham Palace. Both campaigns received nationwide publicity.

In the second half of 2002, the UK government commissioned an independent consultancy firm to draft a new UK government timber procurement strategy. The UK's central government is thought to account for around 15 per cent of all wood procurement in the UK, while the total purchased by all public sector agencies, including local authorities, may account for up to 45 per cent.

The draft policy, which is currently being considered by the Department for Environment, Food and Rural Affairs (DEFRA), proposes that all wood products supplied to the public sector should be categorized into four types: unknown origin; from known legal sources; from known legal sources progressing to sustainable management; and from legal and sustainably managed sources. Public sector agencies would be encouraged to progressively increase the proportion of wood from legal and sustainably managed sources and to phase out wood from unknown sources. Government departments would be required to report on their progress in implementing the policy. They would request that contractors provide evidence of the sources of all wood products, including reports from independent verifiers. It is also proposed that an expert panel should be set up by central government to assess environmental claims by wood products suppliers and to monitor developments in forest certification.

Independently of the current draft proposals, some of the largest timber purchasing departments – including the Department of Defence and the National Health Service – have already adopted policies which include far reaching commitments to ensure that wood derives from well managed sources.

In addition to the public sector procurement policy, in April 2002, the UK government signed a bilateral agreement with the Indonesian government to work jointly to combat the trade in illegally sourced logs. Amongst other measures, the draft joint Action Plan calls for both governments to support the development of systems of independent verification of legal compliance.

The private sector is being drawn increasingly into the debate. For example, the UK's Timber Trade Federation is now co-operating with the UK government in the development of a Forest Industry Sustainability Strategy that includes nationwide targets for the industry to improve environmental procurement practices.

There is also an important European dimension to the illegal logging debate. In February 2002, the European Commission announced its intention to develop an EU illegal logging action plan by the end of the year. In September 2002, preliminary details were released at the World Summit on Sustainable Development in Johannesburg. The draft plan includes proposals for the development of bilateral agreements between the EU and a wide range of wood producing countries to co-operate

in tackling the issue of illegal logging. In particular, the draft plan proposes the creation of a “legality standard” and a license for wood products imports from all co-operating countries. Current proposals emphasize the need for chain of custody procedures and verification by an independent standards body. They also talk about the creation of new EU legislation which would admit entry to only wood products covered by a legality license.

The on-going debate on illegal logging has contributed to a partial shift in attitudes to certification in the UK. As the Forest Stewardship Council has not succeeded in certifying a significant area of forest in tropical countries, where illegal logging is regarded as a more significant problem, there now seems less of an exclusive focus on the FSC scheme. At the same time the rapid emergence of alternative schemes, notably the SFI Program and the PEFC, has increased recognition that the FSC is not the only solution. The draft UK government procurement strategy would recognize wood products certified under a number of schemes. All the leading U.S. schemes should be able to conform with the draft criteria proposed for assessment of certification schemes.

So the new focus on illegal logging in the UK may increase market opportunities for wood products derived from U.S. organizations certified under the SFI Program, FSC, and American Tree Farm System. But there are also risks. The focus on chain of custody verification in both the EU and UK proposals for action may create barriers to trade for a large number of U.S. exporters to the UK, particularly in the hardwood sector. The tendency for U.S. mills to rely on gate wood supplied from hundreds of land owners makes chain of custody verification difficult. This factor, coupled with the firm resistance to forest certification of many U.S. forest owners, may be a significant impediment to U.S. market access in the future, particularly in the retailer and public sectors.

One possible way of overcoming this barrier would be to raise awareness in the UK of alternative approaches to environmental wood procurement that do not emphasize chain of custody. For example, the SFI Program relies on a “wood procurement system standard”. Rather than requiring traceability to forest of origin, this standard requires SFI Program participants to establish management systems to ensure that all their direct suppliers are known, to undertake assessments of the legal and environmental credentials of these suppliers, and to participate in a range of environmental education programs for suppliers. The Timber Trade Federation is now considering applying a similar approach to UK wood importers.

2.4 U.S. market development strategies

Analysis of best market prospects and options for furthering U.S. market share are described in detail under the relevant market sectors.

3. Market Segment Analysis

3.1 Construction sector

3.1.1 Overview

Structure and size of sector

According to the Department of Trade and Industry (DTI), the value of UK construction output (at current prices) increased progressively between 1997 and 2001 from US\$85.8 billion to US\$108.2 billion. This trend continued during the first three quarters of 2002, output growing by a further 11 per cent during this period. Almost half of construction activity comprises repair, maintenance and improvement work (RM&I) at approximately 46 per cent. In contrast, work to expand the existing stock of around 24 million houses in the UK forms a comparatively small part of the construction sector at 14 per cent. According to DTI figures, at least 64 per cent of construction activity is funded by the private sector.

Public sector spending on new houses and infrastructure declined between 1996 and 1999. However the Labor government's commitment to improve infrastructure and social housing, led to a reversal of this trend from 2000 onwards. Between 2000 and 2001, there was a significant increase in the value of construction work output for new infrastructure (+4 per cent), public sector housing, (+30 per cent) and public sector RM&I (+3 per cent). This trend has continued strongly into 2002. Between January and September 2002, the value of construction work output for new infra-structure, public sector housing, and public sector RM&I increased by 16 per cent, 24 per cent, and 4 per cent respectively compared to the same period in 2001.

Wood use in the construction sector

Timber frame construction has been uncommon in the UK due to strong consumer preference for brick and block construction. The National House-Building Council reports that in Great Britain around 11 to 12 per cent of new homes built during 2002 would be of timber frame, up from 10 per cent during 2001. Timber frame is predominantly employed in detached and semi-detached bungalows (22 per cent and 14 per cent market share respectively). It is used in 13 per cent of detached houses, but in only 8 per cent of terraced houses and flats. There are also significant regional variations in timber frame use. An estimated 52 per cent of new house construction in Scotland is now timber frame compared to just 3 per cent of new housing in Northern Ireland.

While timber frame is still not common in some parts of Britain, nearly all new houses in the UK contain a large softwood and panel product component including:

- Roofs commonly constructed either of softwood prefabricated truss rafters or engineered I-Joists.
- Treated softwood is the preferred option for window frames in new house construction, although uPVC still dominates in the replacement sector.
- Upper floors are often constructed of wooden joists or engineered I-joists with chipboard, OSB or plywood floor decking.
- A variety of panel products are used for interior doors. A proportion of exterior doors still comprise solid wood.
- Staircases typically comprise solid wood and panel products

Use of wood and panel products in the non-residential sector is generally restricted to rafters, joists, flooring, internal walls and other internal applications. Wood use in the sector faces stiff competition from alternative materials, although there is an increasing trend towards timber frame.

The construction sector accounts for around 60 per cent of all timber usage in the UK. A large proportion of the wood used in the construction sector is of softwood and panel products. Much of the volume is supplied from Nordic and Baltic countries, and increasingly the UK.

U.S. softwood lumber is not being promoted for structural applications in the UK for reasons of price and distance. Instead, U.S. softwood lumber is supplied to relatively high value niche markets, notably window and door manufacturers, flooring and timber decking. U.S. hardwoods are important in flooring and high quality joinery and finishing applications. U.S. hardwoods are very well represented in the shop-fitting sector. At present, only small volumes of U.S. plywood are being used, all for structural components designed to comply with British standards. The concrete forming market segment for plywood has been lost to Brazilian, Asian and Eastern European producers, based primarily on price. The UK construction market was relatively slow to recognize and exploit the advantages of U.S. engineered wood products. However over the last two years, U.S. I-Joists and related building system components have made significant inroads into the traditional softwood lumber joist market.

Construction sector performance

The year 2002 was buoyant one for the UK construction sector. The sector is enjoying its most sustained period of growth since the late 1980s, according to forecasts from Construction Forecasting and Research. The value of overall construction output in the UK has been rising consistently by around 6 per cent a year since 1996. Total output is expected to rise by 9 per cent during 2002, boosted by strong private sector house building and retail construction and by an increase in public sector spending. Growth in overall output is forecast to slow slightly to 7 per cent in 2003 and to 5 per cent in 2004 as demand from the private sector weakens, both for housing and commercial projects.

Housing start data has been less consistent. Total house starts in the UK (both private and public sector) fell from a high of 201,000 in 1997, to 187,000 in 1998. House starts then increased slowly to around 193,000 in 2001. Longer term forecasts suggest that house starts may continue to rise gradually until 2005.

Underlying the optimism has been the low level of interest rates in the UK and reasonably optimistic forecasts of GDP growth in 2003. Most GDP growth forecasts for the UK in 2003 vary between 1.8 per cent and 3.5 per cent and average around 2.6 per cent, significantly higher than growth of only around 1.6 per cent during 2002.

Longer term projections of the number of households in the UK also suggest that demand for new housing may tend to rise. Government forecasts suggest that the number of households in the UK may rise from 20.7 in 1999 to 24 million in 2021. While overall levels of population are likely to remain reasonably stable, the number of households will be boosted during this period by an increase in the number of people living on their own.

Another factor underpinning optimism in the construction sector is the continuing high level of public investment in the built environment. Public expenditure on social housing has risen considerably after big cut-backs during the 1990s. This money is directed towards regeneration schemes in the north of the country and new affordable housing in the south. Other targets for increased public investment are schools and colleges, the health sector and transport.

An indication of the impact of increased government spending is apparent from data on the value of new construction orders by sector. During 2001, there were big increases in the value of new orders for construction of public-sector schools and colleges (+52 per cent on 2000), universities (+15 per cent), health-sector buildings (+19 per cent), and office buildings (+36 per cent). Data to the end of the third quarter 2002 suggests continued orders for new public sector construction work

related to schools and colleges, universities, the health sector, roads, railways, and offices.

Some significant trends are also apparent in the private sector. Private sector orders for new industrial buildings were down during 2002 compared to the previous year. Construction in the agricultural sector has been declining. However the much larger private commercial sector (offices, shops, entertainment, private education) has been buoyant during 2002. In the first 9 months of 2002, new private construction orders were up 13 per cent compared to the same period the previous year. Private sector RM&I activity has also continued to grow steadily during 2002.

Trends encouraging use of wood in construction

There are also specific trends favoring increased wood use in the construction sector. Improvements in the sophistication and quality of wood products, coupled with various marketing initiatives and rising concern for environmental issues, has had the effect of creating a fashion for timber amongst British architects. In October 2002, the Sunday Times, a leading UK national newspaper, published an article suggesting that "Timber in architecture is undergoing a bit of a renaissance". The article was written in the build-up to the UK's premiere architectural awards ceremony organized by the Royal Institute of British Architects (RIBA) and co-sponsored by the American Hardwood Export Council. At least two projects receiving RIBA awards were characterized by the extensive and innovative use of wood products.

Another important factor has been recent changes in building regulations which have placed increasing demands on construction companies to meet energy efficiency targets. The new regulations form part of the UK government strategy to achieve carbon dioxide emission reductions in line with the Kyoto Protocol. In April 2002, amendments to Part L of the Building Regulations were released which establish new permitted U-values (a measure of insulation performance) to be applied to all domestic and public buildings. While timber frame, pre-fabricated timber building systems and wooden windows can readily achieve the U-values required, traditional brick and block construction techniques tend to fall short. Meanwhile, revisions to the Part E of the Building regulations covering sound insulation also tend to benefit timber products.

The use of timber frame continues to increase in the UK, a trend driven partly by the concerted promotional efforts of organizations like the UK Timber Frame Association and the Building Research Establishment. In October 2002, the marketing of timber frame was given a boost with the launch of a new quality marking scheme. The scheme, has independent third party certification. Eventually the scheme will provide access to CE Marking. The scheme aims to provide inbuilt design, manufacture, and erection conformity checking.

One constraint to increased use of prefabricated construction techniques in the UK has been the restricted size of the sector and its inability to deliver in the volumes required. However this problem is now being addressed. Capacity has been rising over the last 2 years. For example, in Scotland during 2001, the Irish company Century Homes built a new mill for the production of prefabricated houses. During 2002, Stewart Milne began producing timber frame at a new factory in Oxfordshire with capacity to produce 6,000 homes a year.

Major changes are also underway in the type of wood products favored in the construction sector. Structural softwood, which depends heavily on the housing industry, is losing market share to engineered wood products such as I-beams and LVL, which are being incorporated increasingly into timber frame packages. This trend reflects both the consistency and stability of engineered wood products, together with shortages of on-site labor skilled in the use of solid lumber. Longer term it seems likely that demand for 'system built' units supplied from large fabrication factories will tend to increase at the expense of solid lumber supplied by local builders merchants.

Work by the UK's Building Research Establishment (BRE) on the environmental impacts of building materials has also improved the prospects for the use of wood in the construction sector. This work, using modern "Life Cycle Analysis" techniques has yielded very positive results for the timber sector. BRE's "eco-points" database reduces all environmental factors to a single number that enables project leaders to modify plans to find the best balance between cost and the environment. According to a BRE spokesman, "in almost every construction element, timber comes out very favorably".

Trends in the mass-production joinery sector

Good activity in the UK's mass production joinery sector during 2001 extended into 2002. The trend towards pre-assembled joinery products such as factory finished and fully glazed window units, doorsets and assembled stairs intensified during 2002. This process has been driven by various factors, including a joinery skills shortage, environmental concerns, and a desire to raise quality standards and simplify the on-site construction process. Concerted efforts by manufacturers in the sector to develop products of consistent quality and with durability guarantees are contributing to rising sales.

Demand for fully factory finished and glazed timber windows was buoyant during 2002, given added momentum by the publication of amendments to Part L of the Building Regulations in April 2002. Part L requirements for U-Values are applied to both new buildings and existing dwellings, boosting prospects for wood windows both in new dwellings and the replacement market. Demand for wood windows has been growing particularly strongly amongst housing associations and local authorities. There is still a tendency for private house builders to regard timber windows as "luxury" items reserved for upmarket houses.

Trends in the architectural joinery sector

The architectural joinery sector remained reasonably active throughout 2002. There were reports of particularly good activity in the high value housing market, as well as a gradual upturn in commercial and hotel business. There were also some signs of improvement in the shop-fitting sector during the year. Competition in the architectural joinery sector has been intense and margins are tight. The sector is also suffering from a severe skills shortage. In terms of species in demand, the preference for "darker" light woods, such as steamed black walnut and steamed beech has continued this year. Hard maple and cherry also remain popular. There have also been reports of a significant increase in requests for European oak.

Trends in the garden construction sector

Demand for wooden decking and other landscaping products continued to rise during 2002. The Timber Decking Association reports that the UK market has grown from a total commercial and domestic value of only £5m (US\$ 8m) in 1997 to around £80m (US\$ 128m) in 2001. The Association forecasts that the market may have exceeded £100 m (US\$ 160m) for the first time during 2002. There has been a shift from the simpler structures of the late 1990s, to more complex structures as consumers have begun to appreciate the wide range of opportunities to alter the appearance and functionality of a garden through the use of decking. Decking is also now widely used in the new house sector to boost the value and saleability of properties. As in other sectors, the UK decking industry is promoting a quality assurance scheme to provide long term warranties and generate greater demand.

3.1.2 Marketing

This section identifies constraints and opportunities for U.S. exporters supplying to the UK construction sector.

Price

Expansion of markets for American wood products for many applications in the United Kingdom construction sector is

constrained by price. The sector has traditionally been highly price sensitive, often overriding considerations of quality. Due primarily to distance, U.S. softwoods are uncompetitive on price in relation to the Nordic and Baltic suppliers of structural timbers. U.S. plywood has had considerable difficulty competing on price with plywood from low cost countries, notably Brazil. The use of American hardwoods in the joinery sector is coming under pressure from lower cost European hardwoods.

Third party competition

Competition for market share in the UK construction sector is extremely intense. The following trends are particularly notable:

- UK domestic softwood lumber production continued to increase during 2002 and prices were generally weak.
- The dominant Nordic suppliers and UK domestic softwood sector are now very active in marketing their products in the UK through campaigns such as “Wood for good” and “Nordic First”.
- The European producer has the advantage of shorter shipping distances and delivery periods as well as an advantage of being present in the market duty free.
- Availability of Eastern European wood products, both softwood and hardwood, continued to improve during 2002.
- European producers have greatly increased their OSB capacity over the past four years, now producing over 800,000 cubic meters annually. As OSB use has expanded in the UK, it is displacing a significant portion of the plywood consumption, which in turn has significantly impacted U.S. plywood exports.
- Europe also has an increasing base of local production of plywood in the higher end sector.
- Due to weak European hardwood lumber consumption in continental Europe and China during 2002, European sawmills were offering beech and oak lumber at low prices in the UK.
- Although prices of ellioti pine plywood from Brazil were rising during 2002, this product continued to play a dominant role in the UK construction sector.
- U.S. producers have gained a strong foothold in the developing UK market for I-Joists over the last 2 years. However, UK domestic production rose significantly during 2002 with an increase in capacity at James Jones and Son Ltd, and the establishment of the new Finnforest plant.

Focus on high quality

The U.S. forest products sector has little control over the lower prices of products supplied by competitors. However this problem can be addressed to some extent through a marketing focus on the value for money of U.S. products in the form of consistency of yield, reliable grading, high quality, kiln drying capacity, ready availability and assurance of long term supply. The focus on higher quality niche markets has long formed a key component of marketing initiatives in the UK by American Softwoods, American Hardwood Export Council (AHEC), and APA-Engineered Wood Products. In a mature market like the UK construction sector, the challenge has been to find new market sectors and niche opportunities and to search out sectors and applications where price is not the prime influencing factor, for example custom joinery, and engineered flooring.

Over recent years there has been increasing recognition in the UK of the damage caused to timber's reputation through the use of sub-standard products in the construction sector. There are therefore home grown efforts within the UK to raise awareness of the importance of product quality which also argue strongly in favor of a U.S. focus on quality. For instance, U.S. suppliers of softwood lumber may benefit from concerted efforts over recent years to eliminate “wet” timber from supply for structural and timber manufacturing uses. The Timber Window Accreditation Scheme is also raising quality standards in the wooden window sector which may increase demand for treated southern yellow pine and for western red

cedar.

In the panels sector, APA-Engineered Wood Products has played a lead role in raising trade and end-user awareness of the importance of following UK load-bearing standards for plywood in structural applications (BS5268 Pt2). While U.S. softwood plywood fully complies with these standards, many other softwood plywood products, including from Brazil, fall short of full compliance. APA's "Watchpoint" campaign has focused on these issues for the last three years and has involved targeted advertising in the construction and architectural trade press and professional seminars for architects and building regulators.

During 2002, APA was joined in these promotional efforts by the "wood. for good" campaign which diverted funds specifically to promote the need for plywood to comply with BS5268 Pt2. The trade is now becoming much more aware of the quality and strength advantages of American plywood.

CE Marking

The phased introduction of CE Marking of products used in the construction sector throughout the European Union is also having a major impact on attitudes towards product quality. The aim of CE Marking is to ensure that products which are fit for their intended use can be freely traded throughout the European Union. This applies both to products produced within the Community and those imported from countries outside the Community. CE Marking is designed to overcome the problems which currently prevail through the application of different technical requirements in the member states of the EU. CE marking aims to remove these technical barriers to trade within the single market by establishing a single, agreed, standard for demonstrating the performance of particular products, and a system of certification and test bodies which are recognized as competent throughout the Community. CE marking is, in effect, a "passport" for manufacturers to market their products throughout the EU.

Unlike several other European countries, CE marking is not mandatory in the UK for construction products. However, the EC Construction Products Directive requires each member state to establish systems of regulation and enforcement designed to ensure that construction products are sold for the correct end-use. As a result, wood products suppliers in the UK are now legally obliged to ensure that all products are correctly labeled and to demonstrate that products are fit for their intended use. Wood products suppliers are also subject to much greater scrutiny by trading standards officers and building inspectors. CE Marking is widely recognized as the most effective way to demonstrate compliance with the regulations. CE Marking is also essential if UK buyers wish to re-export to other EU countries in which CE marking is compulsory. The visibility of CE marking on construction products accelerated during 2002, a trend which is expected to continue strongly into 2003.

The U.S. wood based panels industry is already pursuing CE trademarking privileges for their products. APA-Engineered Wood Products is sub-contracting through a European Notified Body to carry out all the audits necessary for U.S. suppliers to place CE marks on U.S. structural wood products including plywood, I-Joists and LVL. APA-Engineered Wood Products is also participating alongside trading standards offices and other panel products suppliers on a committee established to combat fraudulent CE Marking.

The involvement of U.S. industry in the CE Marking process represents a significant opportunity for U.S. suppliers to claw back market share from less pro-active suppliers. This is particularly true in the wood panels sector. During 2002, a new harmonized European standard for panel products was published. Conformance with this standard is now a requirement for CE Marking. While U.S. plywood will meet the new standard, it is unlikely that Brazilian Elliott pine plywood will make

the grade. The Brazilian plywood sector has been developing their own standard for plywood which, according to industry experts, falls well short of the European requirements.

Off-site and pre-fabricated production

Intense competition is tending to encourage greater efficiency within the construction sector. This trend has been intensified by concerted industry and government campaigns to promote efficiency. Furthermore, construction companies are having increasing difficulty getting skilled site labor. One significant outcome has been to increase the take-up of off-site and pre-fabricated production to provide consistent quality and faster construction. Broader experience of similar trends in the U.S. market should give U.S. suppliers an edge over many of their competitors in the supply of pre-fabricated materials.

Timber frame, I-Joists and LVL

As a world leader in timber frame construction, the U.S. has been a beneficiary of the emerging trend towards this form of construction in the UK. The U.S. is well placed to supply I-Joists and Laminated Veneer Lumber (LVL) to the timber frame sector in the UK. Demand for both products is now expanding in the UK. Unfortunately, due to the failure of European trade statistics to identify I joists and LVL separately it is not possible to gain an insight into the size of the market. However anecdotal reports suggest that I joists may be used in up to 65 per cent of new homes in the UK for first floor installation within 5 years.

Expansion of the market for I-Joists and LVL is being driven partly by moves towards increased quality in the construction sector, and partly by APA and other industry promotional activities. U.S. companies, working closely with APA, moved early to develop common standards for I-Joists which subsequently achieved British Board of Agreement (BBA) approval. A new European Technical Approval document for I-Joists was published during 2002. This supercedes the BBA approvals, so U.S. products will have to be retested against the new document before September 2004 to achieve CE Marking.

Meanwhile, two U.S. companies have invested heavily over the last two years to expand operations in the UK, forming close alliances with large home builders. They have successfully exploited the strong house construction market and increased demand for just-in-time delivery and high quality, stable products through the establishment of nation-wide delivery networks. APA-Engineered Wood Products is assisting U.S. I-Joist marketing efforts through the provision of seminars to architects approved under the continuing professional development (CPD) procedures operated by the Royal Institute of British Architects (RIBA).

Influencing architects

A major opportunity to expand markets for American wood products lies in the recent revival of interest in wood products within the architectural profession. Architects have considerable influence over the use of raw materials for construction and joinery. Architects' growing interest in timber stems from a trend towards "sustainable design" within the profession. The fact that architects perceive wood to be "sustainable" is evidence of growing acceptance of wood's environmental credentials. But there are challenges. As a profession, architects are still largely ignorant of the properties and potential of wood. This ignorance runs deep. Architectural courses in the UK are notorious for their failure to adequately address the use of wood for construction.

In response to these opportunities, and challenges, the American Hardwood Export Council has already switched the emphasis of UK marketing efforts towards architects. These efforts have focused particularly on the provision of information

– through seminars, feature articles, and press releases – on a range of high-profile construction projects in the European Union. Prominent among these was the new EU Food and Veterinary Centre in Ireland. This \$32 million project involved the relocation of more than 250 staff from Brussels to a 10 hectare green-field site outside Dublin. The award winning Irish architect Ciaran O'Connor was in charge of the design team. To achieve the major aim of ensuring the design was sustainable and recyclable, O'Connor made extensive use of solid hardwood, notably American white oak. Oak was used for exterior cladding, interior joinery and flooring. AHEC inspired reports on this project, and others like it, generated considerable coverage of American hardwoods in the UK's architectural press during 2002. Recent AHEC sponsored seminars have been attended by some of the leading figures in the British architectural profession.

Joinery contractors

AHEC and American Softwoods have identified the specialist joinery industry as another target for promotional campaigns in the UK. Joinery contractors have an important influence over the species chosen for a project, but many are ill informed and often provide misleading information. American Softwoods is already running campaigns targeted specifically at flooring installers.

Broadening range of species used

Although American hardwoods are well established in joinery applications, the sector has traditionally focused on a limited range of species. This has restricted the opportunities to expand the use of American hardwoods, particularly as the species preferred – such as cherry, hard maple and white oak – are not necessarily the most commercially available. Opportunities for American hardwoods would increase considerably if there were wider acceptance of readily available species such as red oak, soft maple and tulipwood, particularly as these species can be cheaper than “traditional” American hardwoods. This issue is now being addressed through AHEC's promotional campaigns.

Hardwood structural testing

To date, references to American hardwoods have not been included in the relevant British and European standards for hardwoods used in structural applications (EN338). However AHEC commissioned the UK's Building Research Establishment to carry out the necessary testing on red oak, white oak, ash and tulipwood. Testing was completed during 2001 and a report was submitted for inclusion in the standard. However this process is taking time, mainly because of concerns that the density of tulipwood is too low for inclusion in the structural standards. In the meantime, AHEC has prepared it's own summary of the BRE test results which it has distributed widely to architects. AHEC report that this is already raising awareness of the potential to use American hardwoods in structural applications.

Expanding market segments

The strong development of demand for wood in specific construction applications, driven by changing fashion, environmental and health concerns, and concerted wood industry marketing is creating new opportunities. The UK's strong residential construction market offers opportunities for specific American products. For example, I-Joists are particularly favored in this sector. Also, western hemlock is favored by many construction firms in the UK for exterior rear doors and demand usually picks up following an increase in house starts.

Demand for wooden decking remained good during 2002. As a relatively new market segment, there remains an opportunity to gain a strong market position by making U.S. softwood products well known to suppliers and builders in the decking and landscaping market who have not yet established strong preferences for competing species or products. There are also likely to be opportunities for the U.S. industry to take part in the development of industry standards on decking to ensure that they do not disadvantage U.S. suppliers.

The developing demand for wooden flooring, whether solid, engineered or laminated, also continues to provide opportunities for U.S. wood products. Natural wood flooring is highly fashionable, while carpets are increasingly avoided partly due to concerns over their contribution to allergies and respiratory disorders. The U.S. holds a number of competitive advantages in this end-use including consistent and reliable supply of high grade material, kiln drying capacity, and superior product characteristics such as hardness and appearance. The growth in the market for wood flooring is particularly significant because it is generating demand for lesser-used species from the United States, such as American birch and hickory.

Continuing good activity in the architectural joinery sector should mean good demand for a range of American hardwoods, notably walnut, white oak, hard maple and cherry. There may be long term opportunities to expand markets for American hardwoods and softwoods as a result of the recent revival of interest in wood windows. Success in this market will depend on conformance with relevant European durability standards.

Renewed investment in the road and rail network may increase demand for various wood products. For example, as concerns over the environmental impact of roads has increased, the use of wooden sound barriers has become more common.

Environmental certification

Demand for forest certificates has been significant in the UK's home improvement sector. In this sector, the U.S. inability to supply significant quantities of FSC certified wood is a constraint. However as this market is focused primarily on supply of lower quality wood products, this constraint may not be of great significance to U.S. suppliers focusing on higher value niche markets.

Probably more significant to U.S. suppliers are the increased demands for certified products emanating from large builders merchants, from construction companies, and from the public sector. At present two leading construction companies are members of the WWF Buyers Group (John Laing and Tarmac). So too are Meyer International, the UK's largest timber importing company and a significant player in the UK builders' merchant sector, and Timbmet, the UK's largest hardwood importing company. Meyer International have set a target to ensure that 80 per cent of their wood purchases are FSC certified within 5 years. Furthermore proposals for a new public sector procurement strategy are likely to increase demand for environmental certification in the construction sector.

While rising demand for FSC certification in the UK may be a constraint for many U.S. suppliers, increasing interest in environmental certification also offers new opportunities. U.S. exporters are well placed to benefit from their long history of sound forest management, and from the presence of existing initiatives including the AF&PA's Sustainable Forestry Initiative and the American Tree Farm System. On-going efforts to establish mutual recognition between these and other certification schemes, such as the PEFC, should increase acceptance of U.S. sustainability approaches in the UK market.

3.1.3 Policy

There are a number of policy measures that constrain UK imports of U.S. products:

Import duties

Import duties for panel products from the U.S. to the UK, at 7 per cent for most items, remain an impediment despite a duty free quota for softwood plywood of 650,000 m³ for the whole of the European Union. While the EU quota also

applies to competing Brazilian plywood producers, the latter are able to switch to GSP quotas - giving a 30 per cent reduction in tariff - when the EU quota is exhausted. U.S. trade negotiators are aware of this discrepancy. There are now indications that Brazil may lose GSP status during 2003.

Technical standards and CE Marking

The need to comply with UK and European Standards is no longer a significant constraint for many U.S. wood products. For example, all U.S. softwood grades were accepted under BS EN standards during 1998. Lack of inclusion of U.S. hardwoods in standards covering timber for structural use is now being addressed. U.S. hardwoods are still not fully covered under BS/EN standards for durability, which limits their use for external applications, notably window frames. Also several EU standards have been approved which exclude or restrict U.S. structural panels in their current format. For example the minimum moisture content requirements for OSB under EN300 have been cost prohibitive for U.S. suppliers.

Restrictions on treated wood imports

During 2002, the European Commission was considering a draft Directive which would place severe restrictions on the use of arsenic compounds (CCA) and CCA treated wood. Under the proposals, CCA treated wood would be permitted only for professional and industrial use. For example as structural timber in public and industrial buildings (no human contact), in bridges, as noise barriers, in roadside fencing, for earth retaining structures, and as electric power transmission and telecommunications poles. CCA treated wood would not be allowed in residential areas, whatever the purpose; in any application where there is a risk of repeated skin contact; or in marine waters. The restrictions would apply to both domestic and imported CCA treated wood and to waste wood in re-use. Although the U.S. industry is already implementing a voluntary commitment to reduce the use of CCA treated wood in residential areas, if passed the new EC restrictions would impact on U.S. softwood lumber sales to the UK

Plant health regulations

U.S. shippers are required to kiln dry softwood prior to shipment under UK Plant Health legislation. This is mandatory even for those applications where kiln dried material is not required on technical grounds. Plant health regulations also apply to oak logs and lumber imported into the United Kingdom to protect against oak wilt disease. Oak logs cannot be imported in-bark and must be fumigated. Oak lumber must either be kiln dried or fumigated. The Animal and Plant Health Inspection Service (APHIS) is responsible for certifying U.S. oak as in compliance with these requirements. U.S. shippers also report that phytosanitary certificates are now required for many other hardwood species, regardless of the pest risk association with that particular species. Plant Health regulations therefore add to U.S. costs vis-à-vis European competitors.

3.2 Furniture Sector

3.2.1 Overview

Structure and size of the sector

The UK furniture industry is a large mature industry which makes a significant contribution to the economy. However the value of domestic production has been declining over recent years, from a peak of around US\$7.58 million in 1999 to US\$ 6.69 million during 2001 (Table 8). Declining production has resulted from a fall in overseas sales and a big rise in the level of imports. These trends have been fueled by the strength of sterling on international exchange markets; by the rapid development of furniture manufacturing facilities in lower cost locations, notably Eastern Europe and the Far East, and by other structural changes in the sector.

It is estimated that there are about 7700 registered enterprises engaged in UK furniture manufacture employing almost 120,000 people. The industry is dominated by small to medium sized enterprises (SMEs) with only 4 per cent of companies reporting turnovers of more than £5m (US\$ 8m). Approximately 75 per cent of these manufacturers operate with less than 9 people and only 300 companies account for 45 per cent of employment in the industry.

The high number of SMEs involved in the sector has meant that competition is often intense. To counter this tendency many operations have concentrated on high quality production. Companies making lower grade furniture with less regard for design, quality and service have come under particularly intense pressure from imports. Production of lower end furniture is declining steeply in the UK. Many furniture operations at this end of the market are now little more than assembly plants fitting together components produced in other parts of the world.

The industry is traditionally segmented into three primary sectors:

- **Domestic:** serving the public through retail outlets. This sector makes up around 55 to 60 per cent of total UK production. Upholstered furniture and kitchens are the largest segment, making up around 20 per cent and 15 per cent respectively of total UK production. The UK is still a big manufacturer of solid wood cabinet doors.
- **Office:** this sector makes up around 10 to 15 per cent of total production. About half of this comprises desks, tables and system furniture. The other half is dominated by seating, followed by steel storage.
- **Contract:** comprising furniture for public areas such as hotels and airports. The contract furniture sector accounts for the remaining 35 to 25 per cent of production. The figures for both domestic and office furniture also include a significant contract element.

Table 8: The furniture sector. Millions of US\$

	1996	1997	1998	1999	2000	2001	Ranking**
Production	6411	7126	7370	7578	6875	6685	8
Exports	1095	1165	1237	1226	1154	1075	15
Imports	1891	2117	2571	2865	3140	3377	3
Consumption*	7207	8077	8704	9217	8862	8986	6

**Ranking of the UK among 50 countries, last available year

Sources: CSIL, Eurostat

Furniture sector performance

Figures from CSIL, the Italian furniture industry research organization indicate that UK furniture consumption fell sharply between 1999 and 2000, but then rose again in 2001. UK production continued to decline during this period, with consumption growth fed by a rise in imports.

During 2002, trade reports indicate that overall levels of consumption have continued to rise. Consumer spending on furniture has been rising strongly at least since the fourth quarter of 2001. The resilience of the housing market and of new house building, despite the economic slowdown, has led to good demand growth in the domestic furniture sector during 2002, particularly for kitchen furniture. However demand for office and shop furniture has been slower.

A recent CSIL survey (October 2002), indicates that UK consumption of upper and medium end furniture - including upholstery, kitchen and home furniture - has been increasing over recent years. These grades of furniture - which are particularly significant for suppliers of real wood veneer and lumber – are thought to account for around 16 per cent of the total UK furniture consumption. Despite rising consumption, UK production of upper and medium end furniture decreased by nearly 10 per cent between 2000 and 2001, indicating a big increase in the market share for imported products.

UK furniture consumption is expected to continue to rise during 2003 and 2004, but at a slower rate as the housing market begins to cool. CSIL forecast real growth in UK furniture consumption of 2 per cent in 2002 and 3 per cent in 2003. The trend towards increasing levels of furniture import and declining UK production is expected to continue.

Significance of UK furniture sector to U.S. exporters

The UK furniture market is significant to U.S. exporters for two reasons. First, the UK has a relatively large domestic furniture manufacturing sector. The UK's domestic forests are unable to supply significant volumes of furniture quality wood. The sector therefore absorbs large volumes of imported wood products – including lumber, but mainly panel products and veneer. The UK has been an important market for U.S. hardwood veneer and is by far the largest EU market for U.S. wood components. A range of U.S. hardwoods are used for the manufacture of furniture in the UK, notably oak, cherry, maple, tulipwood and ash. Small volumes of higher quality U.S. softwoods are also used in the furniture sector. Secondly, although U.S. exports to the UK have been declining over the last 2 years, the country remains an important market for American wood furniture.

3.2.2 Furniture Trade

The combined effect of the cooling global economic climate, rising competition from other supply sources, and the relative strength of sterling has been to reduce UK furniture exports over recent years. According to CSIL, the value of all furniture exports has been in decline since 1998 (Table 8). Eurostat data indicates that wood furniture exports increased between 1999 and 2000, with particularly strong growth in sales to the United States, but then began to decline. The United States is by far the largest export market for UK furniture accounting for around one third of total exports by value.

UK furniture imports have been rising rapidly, a trend driven by increased furniture production in low wage countries, notably China, Poland, Malaysia, Indonesia and Vietnam. Furthermore, as furniture demand in other parts of the world has weakened, overseas manufacturers have looked increasingly to the UK as an outlet for their products. This factor explains significant increases in UK furniture imports from euro-zone countries, notably Italy, Germany and Denmark. UK imports of wooden furniture from the United States increased between 1999 and 2000, but have been falling since then.

Declining exports and a sharp rise in imports have meant that the UK's trade deficit in furniture has been increasing rapidly since 1998. As globalization trends intensify, it seems inevitable that this trend will continue. UK manufacturers will be increasingly forced to focus on high value and high quality niche markets.

Table 9: UK trade in wooden furniture (million euro)

	1999	2000	2001	2001	2002	%
	Year	Year	Year	Jan-Jun	Jan-Jun	change
Exports						

U.S.A.	203.9	235.9	224.7	113.3	108.5	-4.3
Irish Republic	138.9	133	156.9	72.3	82.7	14.4
France	55.4	45.2	54	33.3	27	-18.7
Germany	36.1	38	36.3	18	19.6	9
Netherlands	34.1	36.6	34.9	15.9	13.7	-13.4
Japan	20.2	23.6	21.7	10.9	8.9	-18
Belgium	12.9	19.9	14.7	8.6	6	-29.9
Italy	11.5	12.7	12.7	6.4	5.8	-8.1
Spain	12	11.2	14.1	6.3	5.3	-16
Sweden	12.1	11	8.2	4.6	3.5	-23.2
Switzerland	10.5	11.4	10.1	6.1	3.4	-44.4
Norway	10.1	8.7	7.5	3.2	3	-6.7
Denmark	8.1	8.2	5.7	3.3	2.9	-13.2
Other	103.9	94.6	89.4	47	34.7	-26.1
TOTAL	669.7	690	690.9	349.1	325.2	-6.8
Imports						
Italy	349.4	411.6	532.4	236.8	324.6	37.1
China	80	136.2	172.7	79.2	131.4	65.8
Germany	84.4	108.6	128.2	61	78.8	29.3
Poland	49.2	87.2	120.2	53.6	73.7	37.3
Denmark	88.4	115.2	125.1	63.5	72.1	13.6
Malaysia	92.5	138.2	121	61.9	72	16.3
Indonesia	71.4	92.4	90.5	49.3	53.3	8
Belgium	86.7	99.6	105.3	61.9	53.1	-14.3
Vietnam	31.9	48.3	48.6	29.9	44.6	49.1
France	47	62.2	72.4	33.1	36.9	11.5
Sweden	54.6	57.1	63.9	31	32.6	4.9
South Africa	50.7	56.3	58.9	31.5	32.3	2.5
Brazil	34	47.5	51.8	25.6	26.2	2.3
Thailand	29.2	43.7	46.4	23.3	24.8	6.3
Irish Republic	36.7	33.9	38	17.5	22.3	27.6
U.S.A.	50.9	58.3	51.5	27.5	21.4	-22.2
Other	311.9	389.2	435	216.8	256.9	18.5
TOTAL	1549	1985.5	2261.7	1103.6	1356.9	23

TRADE BALANCE	-879.3	-1295.5	-1570.8	-754.5	-1031.7	36.7
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3.2.3 Marketing

Through the development of efficient distribution networks, assisted by professional marketing, U.S. exporters have been leading suppliers of quality lumber, wood components and veneers to the UK furniture sector. However the changing structure of the sector is now creating significant constraints to the further development of American wood sales.

Changing structure of the furniture sector

The continuing loss of capacity as manufacturers shift to lower cost locations has undermined the overall size of the market. The emphasis on production efficiency and cost-cutting, particularly in the medium to lower end of the market, has driven a shift away from solid lumber in favor of panel products with a thin covering of veneer. The increased availability of cheap wood panels has intensified this trend. While undermining sales of American lumber, this trend tended to create opportunities for the supply of hardwood veneers.

During the 1990s, the United States became the leading supplier of hardwood veneer to the UK furniture sector. However, during 2002, this position was lost to Germany and France. In part this reflects the weakness of the German furniture sector during 2002 which has contributed to severe overstocking in the European veneer sector and increased diversion of veneers to the UK market at low prices. All veneers are also coming under increased pressure from artificial photographic foils. Not only are these products cheaper than real wood, but they also provide more consistent color and are adaptable to changes in fashion.

As a result, the use of real wood products is increasingly restricted to the higher end market. In this market, the drive to improve efficiency has led to a big reduction in purchases of rough sawn lumber in favor of dimension and semi-finished components. Furniture manufactures are increasingly outsourcing components, rather than manufacturing themselves. There are several reasons including improved control over costs, insurance of quality, reduced capital investment, lower cost of production outside the UK, and savings on transportation (since waste is removed prior to shipping).

U.S. exporters have exploited this trend, being better adapted than some of their competitors to produce and provide reliable shipments of high quality components. U.S. shippers have also had a geographical advantage over some producers in responding to growing consumer demand for Just in Time ordering. Initially seen as a response to volatile trading conditions, JIT trading is now well established as normal business practice in the UK.

However, over the last two years, there has been a significant increase in the competitive pressure on American suppliers of dimension to the UK market. The trend towards JIT trading has had the effect of increasing dimension manufacturing capacity in continental Europe. Not only are these European manufacturers exploiting domestic wood resources, which have been readily available at relatively low prices, but they are also importing logs and lumber – including American hardwoods – for the manufacture of components. Market share for Asian component manufacturers is also tending to rise due both to inward investment and low labor costs.

For all these reasons, AHEC adjusted it's marketing strategy in the UK, placing less emphasis on the furniture sector – which is seen as volatile – in favor of the construction and joinery sectors where there are better prospects for long term growth.

Third party competition

In addition to domestic and continental European component manufacturers, U.S. suppliers to the UK furniture sector face significant competition from other producers including:

- **Eastern European hardwoods** – during 2002 there were clear signs of growing interest in Eastern European hardwoods, particularly oak, among UK manufacturers. Prices have been very competitive in relation to American hardwoods and quality from some Eastern European suppliers is exceptional. Eastern European suppliers are gaining a reputation for their willingness and ability to accurately conform with customer specifications. However, shipping times for Eastern European hardwoods are still much more protracted than for American hardwoods. Recent inward investment into Eastern Europe by foreign firms will tend to increase competition.
- **Canada** – Canadian suppliers of hardwood lumber to the UK face the same problems as U.S. suppliers to the UK furniture sector and their market share has been falling accordingly. However Canadian hardwood shippers, who often rely on U.S. hardwood supplies, are still an important presence in the UK market. They have traditionally been more focused on exports than their U.S. counterparts, and as a result are often more responsive to overseas customer needs. Canadian shippers are reputed to be willing to follow suppliers' specifications to the letter. They will cut to European specifications when required, whereas U.S. shippers tend only to supply U.S. specifications.
- **Developing world** – environmental concerns, coupled with supply constraints, uncompetitive pricing for some species, and a fashion away from darker colors undermined the competitive position of tropical hardwoods during the 1990s. Tropical woods are therefore less of a threat in this sector than other temperate hardwood suppliers. However efforts to expand plantation production in the tropics, where growth rates are high and labor costs low, may create new market challenges for U.S. hardwoods in the future. The impact of the developing world is also being felt through increased supply of semi-finished components and finished furniture in both temperate and tropical woods from these countries to the UK market.

Market segments

Continuing good demand for furniture in the UK during 2003 may provide opportunities for U.S. exporters over the next 12 months. A number of particular areas of growth are anticipated:

- Reasonable levels of new residential construction and house sales, coupled with low interest rates and the apparent willingness of consumers to continue to borrow, should create good demand for domestic furniture during 2003.
- improving infra-structure in the education and health sectors is expected to be a major thrust of government expenditure during 2003, and there may be new opportunities to supply lower cost furniture to these sectors.
- forecasts of continuing good growth in the construction and refurbishment of new offices, both public and private sector, suggest good sales of office furniture during 2003.

Product trends

The fashion for relatively lightly grained and lighter colored hardwoods continued in the furniture sector during 2002. Species which have been in favor include white oak, beech, hard maple, and cherry. Birch has also become increasingly fashionable, benefitting particularly from widespread exposure by large retailers, notably IKEA. "Darker" light colored species have also been favored, a trend which has benefitted American walnut in the UK, but has also created new opportunities for competitors such as plantation teak.

Price issues

Despite the recession in American domestic demand, prices for many species of American hardwood have remained at high levels over the last two years. The remarkable stability of American hardwood prices reflects a very rapid decline in production. Meanwhile prices for European hardwoods have been weak during this period due to slow continental European demand and widespread overstocking since the storms of December 1999. American hardwoods are perceived in the UK as relatively high cost. At the medium and low end of the UK furniture market, this has clearly been a factor discouraging the use of American hardwood.

The influence of price is more debatable in the high end sector. In this sector, the manufacturer choice of species of solid lumber is usually based less on price and more on technical and aesthetic concerns. Price usually becomes an issue only after the initial choice of species has been made, when there may be intense competition between suppliers of the same species. Solid lumber supplied to the high-end furniture sector is generally not perceived as a commodity and is sold as a high value product. This perception is becoming more pronounced as raw material costs are generally becoming less significant in the overall cost structure of the furniture sector relative to the costs of labor, capital and marketing. This factor has been beneficial for American hardwoods which, while perceived to be relatively expensive, offer advantages in terms of variety and attractiveness of appearance, reliable grading and consistency of product, and long-term reliability of supply.

The downside of the “species first, price second” purchasing policy of furniture manufacturers is that, once the industry has become tied into producing and marketing a range of products based on the look and feel of a particular species, it may be difficult to introduce more commonly available, even cheaper, substitutes. Substitution trends in the furniture industry tend to be limited and slow to take effect. Hence the process of trying to substitute lesser-used American species, or new “character grades”, in place of high quality traditional species, is necessarily a long-term process.

End user awareness

Lack of end user awareness of the quality, range and potential application of U.S. wood products in the furniture sector remains a constraint. For example, despite strong UK demand for pine furniture, notably from Scandinavia, there continues to be resistance to furniture manufactured from U.S. softwood species. In the hardwood sector, the marketing efforts of AHEC and others have generated greater interest in the full range of U.S. species. There have been some notable successes, for example the use of tulipwood has become more widespread. However, for the reasons identified above, many manufacturers continue to focus very heavily on species with which they are familiar. Generating demand for new species and grades will require a long term commitment to raising end-user awareness.

Mill cutting tolerances

As quality and efficiency have become increasingly significant to the UK furniture industry, the ability of suppliers to produce wood to precise size specifications has become more important. Some U.S. mills are responding effectively to this trend, through inward investment in new high tech equipment. However, many smaller U.S. hardwood mills are unable to cut to the size tolerances required and will be losing market share as a result. Unlike U.S. producers, many European mills have traditionally had a “custom” approach, producing wood to very specific sizes for their buyers, and have readily adapted to the new demands. Many competing French mills, for example, are already able to cut to very low tolerances. Many Malaysian mills have also specialized in the supply of lumber in custom sizes to the European market.

Environmental certification

With a few notable exceptions, demand for environmental certification in the UK furniture sector has been subdued so far and still tends to focus more heavily on tropical than on temperate hardwoods. The exceptions include garden furniture, an increasing volume of which is supplied through the largest home improvement chains, and lower value mass market products

sold through large retail chains such as IKEA. However the increasing significance of these large chains in the supply of furniture in the UK suggests that demand may increase in the future. Comments relating to opportunities and constraints of environmental certification in the construction sector therefore also apply to the furniture sector.

3.2.4 Policy

At present, there is no intervention by UK regional or national authorities in the supply of imported wood for the furniture sector, other than the plant health regulations impacting on softwood and some hardwood species (e.g. oak). However, the recent interest of the UK and European governments in illegal logging may significantly increase environmental scrutiny of wood furniture imports. Some of the measures currently being considered would involve chain of custody verification for wood furniture and components supplied to the EU. If implemented, such measures could have a major impact on UK imports of wood furniture.

The EU imposes tariffs on veneers of between 3 per cent and 4 per cent. In the current highly competitive trading environment for veneers, these tariffs may have played a significant role to encourage UK buyers to switch away from hardwood veneers manufactured in the U.S. to German and French manufactured veneer.

3.3 Materials handling industry

3.3.1 Overview, marketing and trade

Pallets

Most wood used in the pallet sector in the UK is low-grade softwood, of which a significant proportion derives from the UK and Europe, notably the Baltic States. Low-grade plywood is only occasionally used for pallets. Other materials have negligible market share. Recycling is well established in the sector and a high percentage are recovered and reused. The introduction of far-reaching packaging waste regulations in 1997 have increased pressure to re-use and recycle pallets. Opportunities for U.S. wood producers in the sector are extremely restricted due to transport costs and limited price competitiveness.

Other packaging

In other packaging sectors, including crate manufacture, small quantities of U.S. plywood have been used in the past. However increased domestic and European production of substitutes like OSB, now severely restrict opportunities for U.S. products in the sector.

Demand

Market conditions for pallets and packaging materials continued to be difficult during 2002. Widespread gloom in the pallet sector has resulted from a combination of low prices, higher costs (notably for transport) and a lack of available orders. The long term decline in the UK's industrial base is also dampening overall demand. Overcapacity in UK and European pallet manufacturing sector has led to intense competition, with price pressure being exerted at both the raw material and manufactured product. Prospects in 2003 are also poor.

3.3.2 Policy

From October 2001, the Commission of the European Communities adopted emergency measures requiring treatment and

marking of all new and used coniferous (e.g. pine, spruce, fir) non-manufactured wood packing material (e.g. pallets, boxes, crates) originating in the United States, Canada, China, or Japan to prevent the introduction of pinewood nematode. The U.S., through the USDA's Animal and Plant Health Inspection Service (APHIS), has set up a program to meet the measures adopted by the EU which requires heat treatment or kiln dried mitigation to eliminate the pest on non-manufactured wood packing material.

The EU measures currently apply only to softwood but will be extended to hardwoods. A new international phytosanitary standard - designated ISPM 15 – for wooden packing materials which requires all timber to be heat treated to eliminate pests is due to be adopted by the EU from January 2004.

In addition to these measures specifically relating to packing material, comments under construction and furniture relating to phytosanitary requirements for U.S. softwood lumber, and import duties on US plywood equally apply to the materials' handling sector. There is very little interest in environmental certification in the sector.

Statistical Tables

PSD Tables

PSD Table						
Country	United Kingdom					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	0	0	0	0	0
Imports	700	811	675	600	0	600
TOTAL SUPPLY	700	811	675	600	0	600
Exports	6	6	6	6	0	6
Domestic Consumption	694	805	669	594	0	594
TOTAL DISTRIBUTION	700	811	675	600	0	600

PSD Table						
Country	United Kingdom					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	107	94	107	85	0	85
Imports	245	270	245	270	0	280
TOTAL SUPPLY	352	364	352	355	0	365
Exports	8	12	8	10	0	10
Domestic Consumption	344	352	344	345	0	355
TOTAL DISTRIBUTION	352	364	352	355	0	365

PSD Table						
Country	United Kingdom					
Commodity	Hardwood Veneer				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	3	3	3	3	0	3
Imports	45	43	47	35	0	35
TOTAL SUPPLY	48	46	50	38	0	38
Exports	11	11	11	11	0	11
Domestic Consumption	37	35	39	27	0	27
TOTAL DISTRIBUTION	48	46	50	38	0	38

PSD Table						
Country	United Kingdom					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	0	5	0	5	0	5
Imports	612	618	600	575	0	600
TOTAL SUPPLY	612	623	600	580	0	605
Exports	15	15	15	15	0	15
Domestic Consumption	597	608	585	565	0	590
TOTAL DISTRIBUTION	612	623	600	580	0	605

PSD Table						
Country	United Kingdom					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	2160	2446	2200	2500	0	2550
Imports	7402	7460	7471	7580	0	7610
TOTAL SUPPLY	9562	9906	9671	10080	0	10160
Exports	130	185	130	203	0	210

Domestic Consumption	9432	9721	9541	9877	0	9950
TOTAL DISTRIBUTION	9562	9906	9671	10080	0	10160

Trade Matrices

Export Trade Matrix			
Country	United Kingdom		
Commodity	Hardwood Plywood		
Time period	CY	Units:	000 cubic meters
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
European Union	6	European Union	6
Total for Others	6		6
Others not Listed	0		0
Grand Total	6		6

Import Trade Matrix			
Country	United Kingdom		
Commodity	Hardwood Plywood		
Time period	CY	Units:	000 cubic meters
Imports for:	2001		2002

U.S.	8	U.S.	2
Others		Others	
Indonesia	253	Indonesia	160
Brazil	201	Brazil	160
Malaysia	86	Malaysia	55
Finland	47	Russia	35
Germany	47	Finland	35
Russia	45	Germany	30
Latvia	14	Latvia	20
Lithuania	14	China	15
China	12	Lithuania	11
Guyana	8	Belgium	11
Total for Others	727		532
Others not Listed	76		66
Grand Total	811		600

Export Trade Matrix			
Country	United Kingdom		
Commodity	Temperate Hardwood Lumber		000 cubic meters
Time period	CY	Units:	
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
EU	8	EU	7

Total for Others	8		7
Others not Listed	4		3
Grand Total	12		10

Import Trade Matrix			
Country	United Kingdom		
Commodity	Temperate Hardwood Lumber		
Time period	CY	Units:	000 cubic meters
Imports for:	2001		2002
U.S.	113	U.S.	100
Others		Others	
Germany	47	Germany	52
Canada	25	France	32
France	24	Canada	20
Sweden	13	Sweden	12
Denmark	8	Denmark	8
Russia	7	Romania	6
Romania	5	Italy	6
Italy	3	Ukraine	3
Ukraine	2	Russia	3
Total for Others	134		142
Others not Listed	23		28
Grand Total	270		270

Export Trade Matrix			
Country	United Kingdom		
Commodity	Hardwood Veneer		

Time period	CY	Units:	000 cubic meters
Exports for:	2001		2002
U.S.	1	U.S.	1
Others		Others	
EU	8	EU	8
Total for Others	8		8
Others not Listed	2		2
Grand Total	11		11

Import Trade Matrix			
Country	United Kingdom		
Commodity	Hardwood Veneer		
Time period	CY	Units:	000 cubic meters
Imports for:	2001		2002
U.S.	7	U.S.	3
Others		Others	
Germany	6	Germany	6
South Africa	4	France	4
Ghana	3	South Africa	2
France	2	Belgium	2

Total for Others	15		14
Others not Listed	21		18
Grand Total	43		35

Export Trade Matrix			
Country	United Kingdom		
Commodity	Softwood Plywood		
Time period	CY	Units:	000 cubic meters
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
EU	15	EU	15
Total for Others	15		15
Others not Listed	0		0
Grand Total	15		15

Import Trade Matrix			
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Country	United Kingdom		
Commodity	Softwood Plywood		
Time period	CY	Units:	000 cubic meters
Imports for:	2001		2002
U.S.	25	U.S.	4
Others		Others	
Brazil	320	Brazil	320
Finland	56	Finland	65
Canada	38	Chile	35
Chile	22	Canada	30
Latvia	17	France	16
France	17	Russia	15
Sweden	12	Latvia	14
Thailand	12	Sweden	8
Russia	11	Thailand	3
Total for Others	505		506
Others not Listed	88		65
Grand Total	618		575

Export Trade Matrix			
Country	United Kingdom		
Commodity	Softwood Lumber		
Time period	CY	Units:	000 cubic meters
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Irish Republic	90	Irish Republic	100
Other EU	40	Other EU	60

Total for Others	130		160
Others not Listed	55		43
Grand Total	185		203

Import Trade Matrix			
Country	United Kingdom		
Commodity	Softwood Lumber		
Time period	CY	Units:	000 cubic meters
Imports for:	2001		2002
U.S.	51	U.S.	35
Others		Others	
Sweden	2590	Sweden	2610
Latvia	1600	Latvia	1660
Finland	1450	Finland	1480
Russia	540	Russia	580
Estonia	306	Estonia	330
Irish Republic	258	Irish Republic	300
Canada	161	Canada	130
Norway	108	Norway	100
Lithuania	82	Lithuania	90
Total for Others	7095		7280
Others not Listed	314		265

Grand Total	7460		7580
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